



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



2014 Annual Report

**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 second meeting (the "Board Meeting") of the sixth session of the Board. The number of Directors to attend the Board Meeting should be 13 and the number of Directors having actually attended the Board Meeting was 12. Director He Jianyong, was unable to attend the Board Meeting in person due to business engagement, and had appointed Chairman Wang Kaiguo to vote on his behalf.

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, Mr. Li Chuqian, Chief Financial Officer and Ms. Qiu Xiaping, who is 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 are as follows:

Cash dividend of RMB2.5 per 10 shares (inclusive of tax) will be 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. According to the Proposal on Issue of New H Shares by the Company considered and passed at the first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015 held by the Company on 9 February 2015, the Company proposed to issue 1,916,978,820 new H Shares, and the new H Shares shall rank pari passu in all respects with the H Shares that are already in issue. If the newly issuance of H Shares complete in whole before the record date, the total cash dividends to be distributed would be RMB2,875,425,000.00, including RMB479,244,705.00 on the new H Shares, on the basis of a total share capital of 11,501,700,000 A Shares and H Shares in issue. The retained profits of the parent company of RMB10,369,758,976.60 following the cash dividend distribution will be carried forward to the next year. The specific overall amount of cash dividends under distribution and the retained profits to be carried forward to the next year will be calculated according to the actual number of shares of the Company in issue on the record date for the cash dividend distribution.

Forward looking statements, including future plan and development strategy, contained in this Report do not constitute 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:

Building upon the concern and support of shareholders and the society, the Company capitalized on the development momentum and accomplished related works well, and was able to continually improve its level of operation and management, further expand its financing channels, significantly enhance its scale of assets, achieve rapid growth in its business indicators, constantly accelerate the pace of innovation, persistently optimize its revenue structure and further reinforce its four “pillars” which are R&D, talents, IT and risk management and compliance, in 2014. The Company managed to remain dominated in the industry in respect of its over-the-counter market business, achieved fast growth in the scale of its capital intermediary businesses, and orderly developed innovative businesses including online securities business, custody, market making on the New OTC Board, quantitative investment, return swap, FICC, asset securitization and financing lease. The Company saw amazing achievements in overseas business and significant breakthroughs in internationalization strategies. In particular, the successful entering into contracts for acquisitions of Banco Espírito Santo de Investimento, S.A. of Portugal (“BESI”) and Japaninvest Group plc (“JapanInvest”) significantly enhanced our international influence and competitiveness.

2015 will be a year of vital importance to the comprehensive deepening of reform, since China's economic development is entering into a new normal stage, whereby great opportunities for development will emerge in the capital market, room for innovation of the securities industry will be unfolded gradually and basic functions of the securities companies, such as investment, leverage, custody, trade and payment, will be perfected in a constant manner. Under the new situation, the Company will further emancipate the mind, deepen the reform and optimize the mechanism. By adhering to the development strategy of “One Body, Two Wings (一體兩翼)”, the Company will adopt its strategy of being customer-oriented with brokerage, investment banking, asset management, and other intermediary businesses at the core, capital intermediary business and investment at the wings, and innovation and internalization as driving forces, so as to reinforce the building of five capacities, i.e. investment, asset and wealth management, investment banking, underwriting and pricing, institutional brokerage and sales, and online securities services. The Company will persistently reinforce its customer base and service capacities, and intensify business synergy and cross-border interaction. Also, it will enhance risk prevention and control, strengthen the construction of information system, gather excellent talent in the industry and build a harmonious enterprise culture, with a view of enhancing the Company's core competitiveness constantly and making it a benchmark investment bank of China.

Wang Kaiguo
Chairman
27 March 2015

SECTION I DEFINITION AND IMPORTANT RISK WARNINGS

I. 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 listed and traded 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, the Special Administrative Region of Macau and Taiwan
“Code”	The Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“Company” or “Haitong Securities”	Haitong Securities Co., Ltd.
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of Haitong Securities
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary shares in the share capital of the Company 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\$”, “HKD” or “HK dollars”	the lawful currency of the Hong Kong

SECTION I DEFINITION AND IMPORTANT RISK WARNINGS

“Hong Kong”	the Special Administrative Region of Hong Kong, the PRC
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“IFRS”	the International Financial Reporting Standards
“IPO”	initial public offering
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“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
“PRC GAAP”	generally accepted accounting principles in the PRC
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	from 1 January 2014 to 31 December 2014
“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

SECTION I DEFINITION AND IMPORTANT RISK WARNINGS

II. IMPORTANT RISK WARNINGS

Our business is subject to many factors, including macroeconomic and monetary policies, laws and regulations on financial and securities industries, 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 finance activities and affect the value of certain financial assets. Consequently, it would materially and 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 and impact of internet finance 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 or 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 regulatory scrutiny or assume higher market risks, credit risks and 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, income receipts, short-term corporate bonds, which expands the Company's financing channels on one side, and increases the leverage rate on the other, resulting in higher liquidity risks exposed to the Company. The business of the Company also exposes it to credit risks if clients or counterparties fail to perform their obligations set out in the contracts, or 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 adversely affected. The Company manages its risks 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 been or to be taken by the Company, please refer to the 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 Co., Ltd.
English abbreviation of the Company: Haitong Securities

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, LAM WAI YEE SOPHIE

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

Website 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

During the Reporting Period, there is no change in registration for the Company.

(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.
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.

SECTION II COMPANY PROFILE

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.
7. On 3 February 2015, 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; the stock options market making 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.

SECTION II COMPANY PROFILE

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

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: RMB37,110,256,311

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. Qualification for Fund Evaluation Business (Zhong Zheng Xie Fa [2010] No. 070)
25. Qualification of Engaging of Stock Index Futures Through Asset Management (Hu Zheng Jian Ji Gou Zi [2011] No. 237)
26. Stock repo transaction business trials (Ji Gou Bu Bu Han [2011] No. 512) (Shang Zheng Jiao Zi [2011] No.37)
27. Qualification for issuance of overseas listed foreign shares (Zheng Jian Xu Ke [2011] No. 1821)
28. Trial business of bond collateralized repo with quotes (Ji Gou Bu Bu Han [2011] No. 585)
29. Partnership independent custody business trials (Ji Gou Bu Bu Han [2012] No. 686)
30. Over-the-counter transaction business (Zhong Zheng Xie Han [2012] No. 825)
31. Pilot Qualification of Engaging of Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2012] No. 113)
32. Pilot Qualification of Underwriting of Private Debts for SMEs (Zhong Zheng Xie Han [2012] No.561)
33. Qualification for foreign exchange operation in the securities business (SC201307)
34. Qualification for issuance of short-term financing bonds (Ji Gou Bu Bu Han [2013] No. 407)
35. Qualification for Distribution of Financial Products (Hu Zheng Jian Ji Gou Zi [2013] No.180)
36. Pilot Qualification of conducting capital consumption payment services for client securities (Ji Gou Bu Bu Han [2013] No. 741)
37. Qualification for recording military confidential business consultancy services in a secured and confidential condition (certificate number: 00132029)
38. Qualification of the 11th batch of Insurance agency for 2013 (Hu Bao Jian Xu Ke [2013] No. 204)
39. 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)
40. Custody qualification of security investment funds (Zheng Jian Xu Ke [2013] No.1643)
41. Qualification for agency business of securities pledge registration
42. Internet securities business trials (Zhong Zheng Xie Han [2014] No. 358)
43. Membership qualification on the Gold Exchange (Certificate No. T004)
44. Qualification for issuance of short-term financing bonds (Department of Fund and Intermediary Supervision Han [2014] No. 1551)
45. Pilot Issuance of Short-term Corporate Bonds by Securities Companies (Shang Zheng Duan Zhai [2014] No. 4)
46. Business Pilot of Financing-Oriented Option Exercise with respect to Share Incentive Schemes of Listed Companies (Shenzhen Han [2014] No. 321)
47. Qualification for the stock options market making business (Zheng Jian Xu Ke [2015] No. 153)
48. Principal market maker in SSE 50 ETF options contracts (Shang Zheng Han [2015] No. 214)

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.

SECTION II COMPANY PROFILE

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

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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.

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.

SECTION II COMPANY PROFILE

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.

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 nonpublic 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.

SECTION II COMPANY PROFILE

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”.

XV. ORGANIZATION OF THE COMPANY

The Company operates in accordance with the relevant laws and regulations including the PRC Company Law, the Securities Law of PRC 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

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)

SECTION II COMPANY PROFILE

2. Fullgoal Fund Management Co., Ltd.

Registered address: Level 16-17, International Financial Centre Tower 2, No. 8 Century Avenue, Pudong New Area, Shanghai

Establishment date: 13 April 1999

Registered capital: RMB180 million

Shareholding percentage: 27.775%

Legal representative: Xue Aidong

Tel: 021-20361706

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)

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

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

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

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, asset management and fund sales. (The businesses subject to administrative permission are operated under permits)

SECTION II COMPANY PROFILE

5. *Haitong International Holdings Limited*

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

Establishment date: 24 July 2007

Authorized capital: HK\$6 billion

Issued capital: HK\$6 billion

Paid-in capital: HK\$6 billion

Shareholding percentage: 100%

Tel: 852-39268888

Nature of business: Investment Holding

Scope of business: Investment holdings, as the overseas business platform of the Company, through establishing or shareholding various subsidiaries with capital injection, it strives to implement the overseas strategies of the Company and develop its overseas financial businesses.

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

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

Establishment date: 23 October 2008

Registered capital: RMB6 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

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)

SECTION II COMPANY PROFILE

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

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

Establishment date: 26 June 2012

Registered capital: RMB1.2 billion

Shareholding percentage: 100%

Legal representative: Pei Changjiang

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 27 branches and 271 securities business departments. (see Appendix II of this Report)

XVI. OTHER RELEVANT INFORMATION

- (I) Legal Advisor to the Company, as to PRC 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
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
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 AS AT THE END OF THE REPORTING PERIOD

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

(1) Major accounting data

Unit: RMB'000

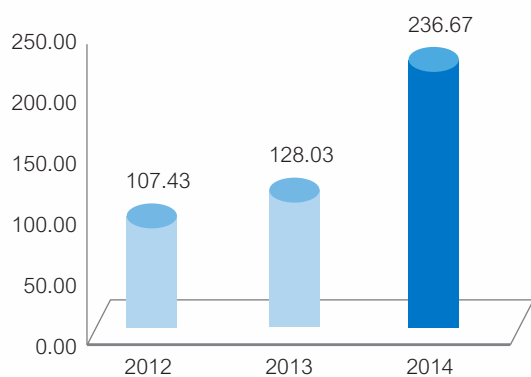
Items	2014	2013	As compared to the last corresponding period	2012
Operating results (RMB'000)				
Revenue and other income	23,666,866	12,802,734	Increase 84.86%	10,743,347
Profit before income tax	10,420,394	5,454,748	91.03%	4,127,238
Profit for the year – attributable to owners of the Company	7,710,623	4,035,024	91.09%	3,037,542
Net cash (used in)/from operating activities	-29,338,392	-18,841,821	55.71%	-7,119,927
Amount per share (RMB/share)				
Basic earnings per share	0.80	0.42	Increase 90.48%	0.33
Diluted earnings per share	0.80	0.42	90.48%	0.33
Index of profitability				
Weighted average returns on net assets (%)	11.88	6.70	Increase 5.18 percentage points	5.66

Items	31 December 2014	31 December 2013	As compared to the end of the last corresponding period	31 December 2012
Indices of size (RMB'000)				
Total assets	352,622,149	169,123,603	Increase 108.50%	126,482,104
Total liabilities	280,357,946	105,018,445	166.96%	66,051,508
Accounts payable to brokerage clients	80,766,843	40,429,567	99.77%	36,956,823
Equity attributable to owners of the Company	68,364,431	61,506,991	11.15%	58,679,683
Total share capital ('000)	9,584,721	9,584,721	–	9,584,721
Net assets per share attributable to owners of the Company (RMB/share)				
	7.13	6.42	Increase 11.06% 23.23 percentage points	6.12
Gearing ratio (%)^(note 1)	73.42	50.19		32.50

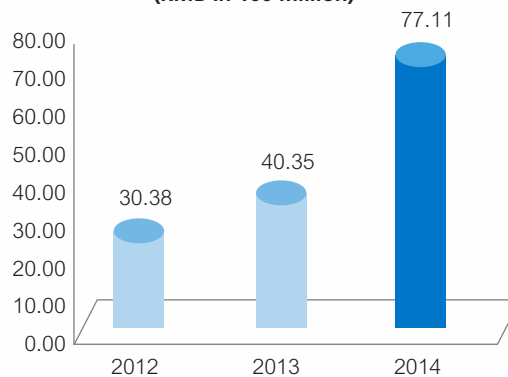
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

Section III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

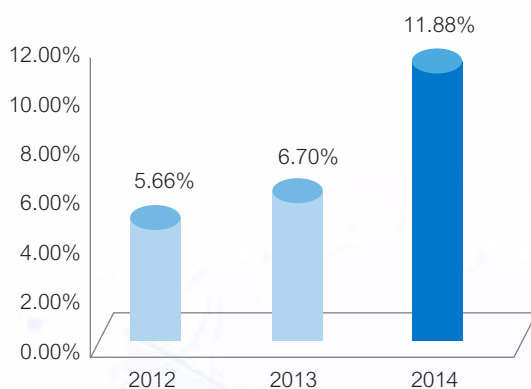
**Revenue and other income
(RMB in 100 million)**



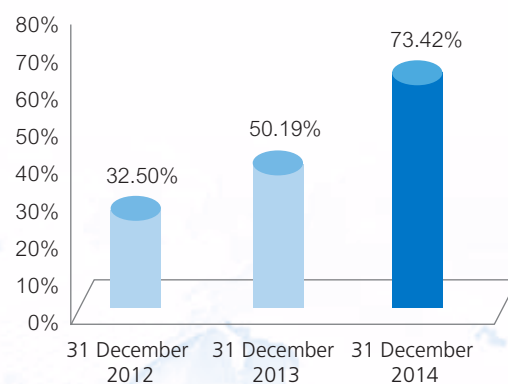
**Profit for the year attributable
to owners of the Company
(RMB in 100 million)**



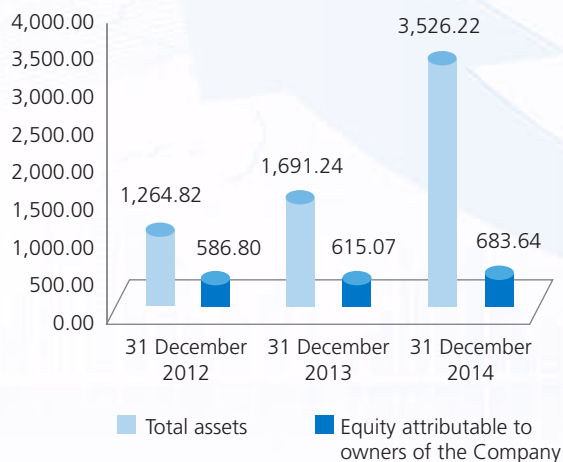
Weighted average returns on net assets



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 over the past three years

In 2014, the Company deepened reforms and accelerated innovative transformation and internationalized development by firmly capitalizing on market opportunities, thus achieving significant breakthroughs in respect of overseas mergers and acquisitions and further expansion in respect of financing channels. Its major financial indicators such as total assets, net assets, operating income and net profit all hit highs and its major business indicators ranked top in the industry. All of its businesses moved up to a new level again.

As at the end of 2014, the total asset of the Group was RMB352,622 million, increasing by 108.50%, and the total liabilities was RMB280,358 million, increasing by 166.96%. The equity attributable to owners of the Company was RMB68,364 million, increasing by 11.15%. Each traditional business of the Company developed 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 2014, the Company's revenue from innovative business such as margin financing and securities lending, financial futures, and stock repo trading, etc. accounted for 30%. In 2014, the Company's revenue and other income, net profit, earnings 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 inflows from net cash, interests and commission income from securities agency trading, and net increase in placements from other financial institutions. In 2014, the net cash flow generated from operating activities of the Group was a negative figure, which was mainly due to the significant growth in business scale of margin financing and securities lending and Hong Kong margin financing, increases in cash outflow of loans and advances to customers, and increases in financial assets held under resale agreement, which leading to an increase in cash outflow. Asset of the Company could be easily realized, which could meet the operation capital requirement of the Group.

Major accounting data and financial indicators of the Group over the latest three years were in well condition, and the asset is in reasonable structure, and with high 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

	2014	2013	2012	2011	2010
Revenue and other income	23,666,866	12,802,734	10,743,347	10,860,374	11,304,935
Total expenses	13,413,806	7,464,926	6,681,975	6,633,122	6,393,365
Profit before income tax	10,420,394	5,454,748	4,127,238	4,300,164	4,989,690
Profit for the year attributable to owners of the Company	7,710,623	4,035,024	3,037,542	3,103,034	3,686,264

2. Assets

	31 December 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010
Total assets	352,622,149	169,123,603	126,482,104	98,976,911	115,413,098
Total liabilities	280,357,946	105,018,445	66,051,508	52,366,269	69,796,351
Accounts payable to brokerage clients	80,766,843	40,429,567	36,956,823	38,013,807	63,682,354
Equity attributable to owners of the Company	68,364,431	61,506,991	58,679,683	45,042,375	44,467,363
Share capital	9,584,721	9,584,721	9,584,721	8,227,821	8,227,821

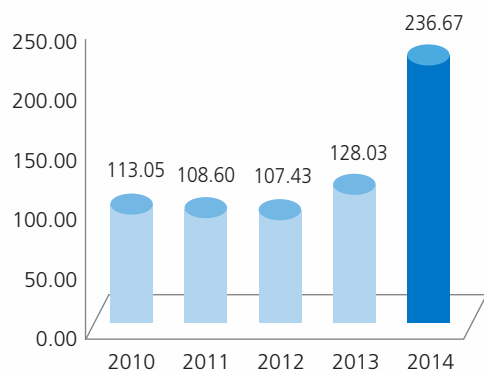
3. Critical financial indicators

	2014	2013	2012	2011	2010
Dividend per share					
Basic earnings per share	0.80	0.42	0.33	0.38	0.45
Diluted earnings per share	0.80	0.42	0.33	0.38	0.45
Weighted average returns on net assets (%)	11.88	6.70	5.66	6.93	8.39
Gearing ratio (%) ^(note 1)	73.42	50.19	32.50	23.54	11.82
Net assets per share attributable to owners of the Company (RMB/share)	7.13	6.42	6.12	5.47	5.40

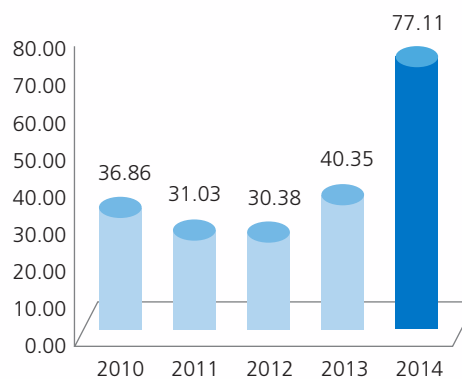
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

Section III SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Revenue and other income
(RMB in 100 million)



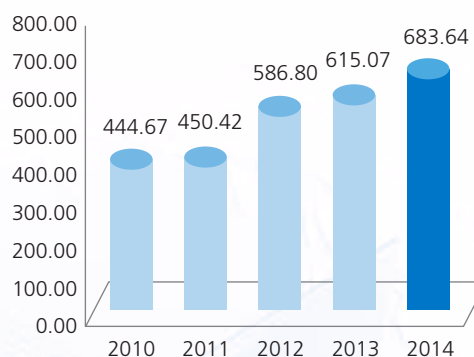
Profit for the year attributable to owners of the Company
(RMB in 100 million)



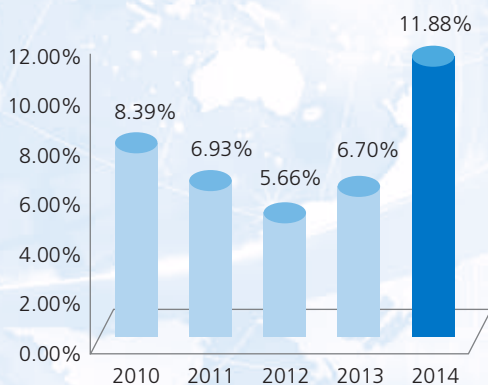
Total assets
(RMB in 100 million)



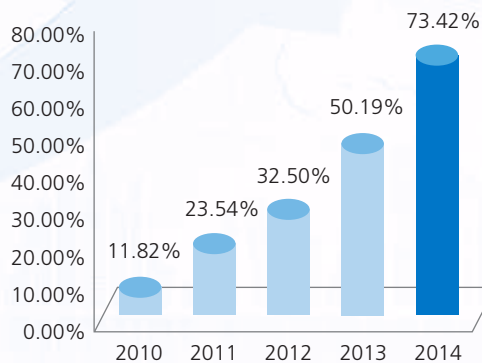
Equity attributable to owners of the Company (RMB in 100 million)



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 2014 and 2013 and the net assets as at 31 December 2014 and 31 December 2013 as stated in the consolidated financial statements of the Group 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 2014, the net capital of the Company was RMB37,110 million, representing a decrease of RMB740 million as compared to the net capital of RMB37,850 million 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.

Items	Unit: RMB'000	
	31 December 2014	31 December 2013 After adjustment
Net capital	37,110,256	37,849,947
Net assets	65,022,464	60,310,727
Total of risk capital reserves	4,527,501	3,049,614
Net capital/total of risk capital reserves	819.66%	1,241.14%
Net capital/net assets	57.07%	62.76%
Net capital/liabilities	26.71%	89.12%
Net assets/liabilities	46.80%	142.01%
Proprietary equity securities and securities derivatives/net capital	61.21%	38.54%
Proprietary fixed income securities/net capital	78.78%	97.20%

The above ratios are calculated based on the underlying financial information prepared in accordance with PRC GAAP.

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 2014, the domestic securities industry entered into a brand new stage of development, wherein innovative businesses of all kinds grew rapidly, internet, as a tool, was commonly utilized in financial sector, and the landscape of the industry formed upon the traditional businesses was in a round of reshuffle. During the previous year, the Company, under the leadership of the Board, accurately grasped the development trend of the industry and adopted a package of approaches to reinforce our core competitiveness, as a result, the following major strategic progress have been steadily accomplished: substantial breakthrough has been made by the Company in overseas acquisition, which is reflected by the successful entering into contract for acquisition of BESI. Taking this opportunity, we can expect the Company's business presence to be expanded to the mature markets in Europe and America and the emerging markets in, among others, South America and Africa, and our global service capability got further improved; successful entering into contract for acquisition of JapanInvest by Haitong International Securities Group Limited ("Haitong International Securities" or "Haitong International Securities Group"), a Japanese listed company, which further enhanced our research service capability with regard to institutional investors; our financing channel got further expanded, and through, among others, issuance of corporate bonds, short-term corporate bonds, short-term financing securities, U.S. Dollar bonds and income receipts, our operating leverage and asset size got further enhanced, with the Company's leverage ratio for 2014 increased from 2.01 to 3.76; the Company propelled the development of internet financial services and increased the investment therein, successfully launched e.htsec.com and took the initiative in cooperation with internet enterprises, to sell our financial products via internet, and in return, an increasing number of customers have been effectively attracted; with capital intermediary business developing rapidly, the scale of the Company's financing businesses, including margin financing and securities lending business, equity collateralized repo business and stock repo trading business, increased significantly. As at the end of 2014, the scale of such businesses amounted to RMB92.8 billion, representing an increase of 241% as compared to the year-beginning amount of 2014, ranking it second in the market in terms of both year-end scale and increment for the year; following the accelerated pace of innovative development, the Company became the first securities company to pass the on-site inspection and acceptance for the Shanghai-Hong Kong Stock Connect and one of the first group of securities company to pass on-site inspection and acceptance for options business, and was successfully admitted to conduct innovative businesses including income receipts, market making on the New OTC Board and online securities business on a trial basis, foreign currency-denominated securities underwriting and gold trading; remarkable progress has been made on the construction of over-the-counter market, with issue size of the products approaching RMB100 billion, ranking first in the industry; positive progress has been made on asset securitization business, with 9 asset securitization projects completed, covering Bank of Communications, BoCom Financial Leasing and Pudong Development Group, in particular, BoCom Financial Leasing project is the first asset securitization project on financial leasing company in China; construction of business platform for the Free Trade Zone has been vigorously promoted; research business continued to maintain the industry leadership and was ranked first among the "Top Influential Research Institutes" by New Fortune, leading the industry in terms of influence in six research fields, namely macroscopic research, researches on fixed income products, wholesale and retail sector, non-bank financial sector, petrochemical sector and new energy sector.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

At the end of 2014, the Group's total assets amounted to RMB352,622 million, among which, net assets attributable to owners of the listed company amounting to RMB68,364 million, net profit attributable to owners of the listed company amounting to RMB7,711 million and net capital of the Company amounting to RMB37,110 million. Total revenue and other income of the Group amounted to RMB23,667 million, among which, securities and futures brokerage business amounting to RMB10,449 million, representing 44.2%, proprietary trading amounting to RMB4,057 million, representing 17.1%, asset management business amounting to RMB1,979 million, representing 8.4%, investment banking business amounting to RMB1,339 million, representing 5.7%, income from direct investment business amounting to RMB314 million, representing 1.3%, income from overseas business amounting to RMB2,529 million, representing 10.7%, income from management and others amounting to RMB3,697 million, representing 15.6%, and income from finance leasing business amounting to RMB1,721 million, representing 7.3%. Its major financial indicators such as total assets, net assets and net profit all hit highs and its major business indicators ranked top. All of its businesses moved up to a new level again.

Statement of the Principal Business of the Group

Unit: RMB'000

Item	Segment income	Segment expense	Segment profit margin	Segment income movement	Segment expense movement	Segment profit margin movement as compared to last year
				as compared to last year	as compared to last year	
Securities and futures brokerage business	10,449,075	6,244,168	40.24%	61.76%	51.38%	Increasing by 4.10 percentage points
Asset management business	1,979,375	834,915	57.82%	224.15%	55.17%	Increasing by 45.93 percentage points
Proprietary trading	4,056,785	1,050,903	74.10%	68.74%	24.26%	Increasing by 9.28 percentage points
Investment banking business	1,338,968	716,917	46.46%	87.13%	48.48%	Increasing by 13.94 percentage points
Direct investment business	314,348	65,302	79.23%	13.04%	41.36%	Decreasing by 4.16 percentage points
Financing lease business	1,721,413	1,204,277	30.04%	100.00%	100.00%	Increasing by 30.04 percentage points
Overseas business	2,528,951	1,646,309	34.90%	79.70%	71.33%	Increasing by 3.18 percentage points

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

(II) Analysis of Our Principal Business Lines

1. Each Principal Business of the Company

(1) *Securities and futures brokerage business*

Transformation of branch institutions deepened. The Company achieved a market share of 5.13% in terms of total trading volume and a market share of 4.74% in terms of equity fund trading volume in 2014, both ranking fourth in the market. The Company accelerated the transformation of branch institutions, and reduced the overall operation areas by 27,300 square metres; accelerated the transformation of our marketing team from handling account opening for brokerage business alone to taking over product sales and innovative business expansion as well; sped up the distribution of micro-sized business departments in business-blank areas, and completed the establishment of a total of 31 micro-sized business departments, making the total number of business departments to 271.

Institutional business developed steadily. The Company continued to consolidate its advantages in regard to traditional customers including domestic public-offering institutions, ranking high in the industry in terms of market share regarding divided commission; and further reinforced the expansion to private equity organizations via means including promotion of lead-underwriter services. In 2014, the Company's market share of block trading accounted for 8.6%, ranking third in the market. We have newly operated 66 trading accounts for our QFII/RQFII customers during the year, accounting for 10.6% of the market share for new account operating. So far, we've operated 120 accounts for 67 QFII/RQFII trading customers, representing a year-on-year increase of 122% and 76% respectively.

Futures business grew rapidly. A market share of 6.65% in terms of futures business was achieved, representing a year-on-year increase of 0.7%, ranking first in the industry; in particular, the market share in trading amounts of stock index futures was 8.12%, representing a year-on-year increase of 0.4%, ranking first in the industry in terms of market share. Customer interest per day generated from futures business was RMB11.5 billion, representing a year-on-year increase of 34%, ranking third in the industry. Haitong Futures successfully obtained the member qualification of General Clearing in the China Financial Futures Exchange, and was rated as a "Category AA" company in industrial classification rating.

In 2014, securities and futures brokerage business achieved a total profit of RMB4.205 billion, accounting for 40.4%.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

(2) *Investment banking business*

Leveraging its advantages in SMEs, state-owned enterprises in Shanghai, culture, media and other sectors, the Company made proactive efforts of innovation in regard to investment banking business, with major efforts dedicated to refinancing, mergers and acquisitions and New OTC Board projects, and recorded a record-high income.

Throughout the year, equity financing business has fulfilled 27 projects as a lead underwriter, including 4 IPO projects and 23 refinancing projects, raising funds of RMB37.4 billion for various enterprises, and ranking second and fourth in the industry in terms of underwritten amount and projects respectively (data from Wind Info).

The Company also made proactive efforts of innovation in regard to debt financing business, to meet financing demands of enterprises with various kinds of approaches, and successfully underwrote corporate bond of Beijing Infrastructure Investment Co., Ltd., the first super long term bond in China and revenue bond of the trash-to-energy project of Guangzhou Thermal Power, the first revenue bond of a project in China. The Company has fulfilled 36 projects as a lead underwriter, raising funds of RMB54.8 billion for various enterprises, ranking tenth and eighth in the industry in terms of underwritten projects and amount, respectively (data from Wind Info).

For M&A financing business, the Company, taking the opportunity of state-owned enterprise reform, undertook a number of big and influential projects including the back-door listing project of Greenland Group-Jinfeng Investment, the first state-owned enterprise reform project in Shanghai and the integration and reorganization project of SMG, the first restructuring project in Shanghai culture and media sector, which significantly enhanced the Company's market position in respect of merger, acquisition and reorganization business. The Company recorded a transaction amount of RMB135.7 billion for its M&A financing business, ranking first in the industry (data from Wind Info).

The Company dedicated major efforts to reaching out for New OTC Board projects in the high-tech sector, and realized one-stop financing services for SMEs through linking listing with, among others, IPO, M&A, private equity investment, debt financing and market making. 26 New OTC Board projects have been successfully listed.

In 2014, investment banking business achieved a total profit of RMB622 million, accounting for 6.0%.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

(3) *Proprietary trading business*

The Company continued to promote its investment business transformation. It has completed the layout of its three major business lines (i.e. trend investment, quantitative investment and capital intermediary businesses), to diversify its profit-making approaches and balance its business development. Innovations have been propelled steadily on fixed income investments, with gold proprietary trading and leasing business carried out and deal sizes of treasury bond futures arbitrage and interest rate swaps expanded, cultivated new profit growth points through innovation and built the Company's FICC business platform. The Company actively explored new business models including M&A financing and real estate investment funds for its alternative investment business, to expand the scope of alternative investment, which laid the foundations for sustainable development.

In 2014, proprietary trading business achieved a total profit of RMB3.006 billion, accounting for 28.8%.

(4) *Asset management business*

The scale of assets under management of Haitong Securities Asset Management Company Limited (海通證券資產管理公司) amounted to RMB294.2 billion, of which, the scale of entrusted asset management business recorded a year-on-year increase of 44%, ranking top eight in the industry; the scale of collective management plans amounted to RMB25.0 billion, representing a year-on-year increase of 85%. The asset management subsidiary of the Company constantly improved its investment strategies and actively optimized the composition of its large-category portfolios, trying to enhance return on products; in return, it achieved excellent performance, reflected by four products ranking top ten collective management products of securities companies, in terms of performance.

The fund management scale of HFT Investment Management was RMB106.9 billion, of which, the public fund management scale was RMB30.2 billion; the fund management scale of Fullgoal Fund Management was RMB173.9 billion, of which, the public fund management scale was RMB95.2 billion.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

The scale of new funds under the management of various industrial investment fund amounted to RMB4.2 billion and the number of new investment projects was 40, with an increased investment amount of RMB2.5 billion. Shanghai M&A Fund (上海併購基金) took part in the privatization project of Shanda Games (盛大遊戲) right in the year of establishment, and achieved a decent return; Haitong Creative Capital Fund Management Co., Ltd., together with Mango Media (芒果傳媒), jointly established Mango Fund (芒果基金).

In 2014, asset management business achieved a total profit of RMB1.145 billion, accounting for 11.0%.

(5) *Direct investment business*

Haitong Capital Investment newly added 20 investment projects during the year, with an increased investment amount of RMB1.0 billion and 8 additional investment projects exited.

In 2014, direct investment business achieved a total profit of RMB271 million, accounting for 2.6%.

(6) *Financing lease business*

In 2014, the Company increased its contribution to Haitong UT Capital Group Co., Limited (formerly known as "UT Capital Group Co., Limited", hereinafter "Haitong UT Capital Group" or "UT Capital Group") by RMB2.0 billion. UT Capital Group reached out actively for external financing sources, and raised funds of RMB12.2 billion via approaches including bank loans, issuance of overseas Renminbi bonds and overseas U.S. dollar bonds. The Company made active efforts in business expansion, and newly invested RMB14.1 billion in financing lease during the year, with a lease balance of RMB20.2 billion.

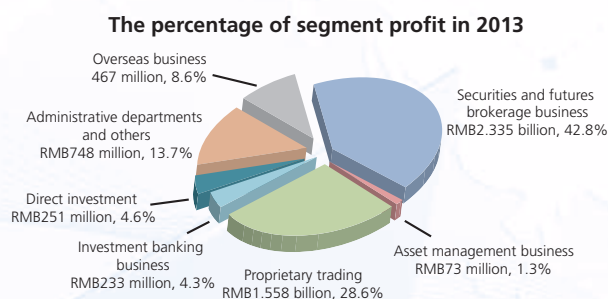
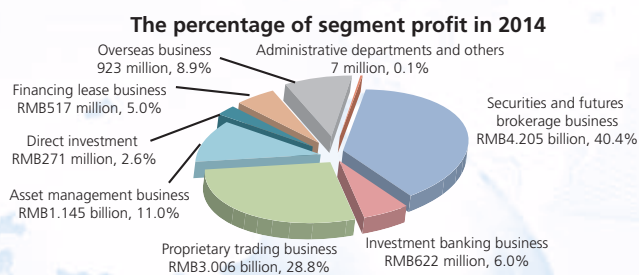
In 2014, financing lease business achieved a total profit of RMB517 million, accounting for 5.0%.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

(7) Overseas business

Investment banking business accomplished 15 IPO projects and 21 bonds issue and underwriting projects, and the number of IPO projects accomplished in 3 years from 2012 to 2014 ranked first in the Hong Kong securities market, which further strengthened the leading position of Haitong International Securities among the PRC securities firms in Hong Kong. Investment management business was deepened continuously, and the approved quota of RQFII amounted to RMB10.7 billion, raking first among the PRC securities firms. Equity derivatives business continued to promote product innovation, and in 2014, the number of funds for which market making services were provided increased to 21, making Haitong International Securities one of the largest RQFII ETF market makers in Hong Kong. Haitong International Securities was accredited with a BBB rating by S&P, becoming the first PRC-backed non-bank financial institution in Hong Kong accredited with independent credit rating and raised funds of HK\$11.8 billion via approaches including rights issue, U.S. dollar bonds, convertible bonds and syndicated loans. In the second half of 2014, Haitong International Securities successfully entered into the contract for acquisition of JapanInvest, a listed company in Japan, further strengthening its capability of research services to institutional investors.

In 2014, overseas business achieved a total profit of RMB923 million, accounting for 8.9%.



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

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

(1) Revenue and other income

In 2014, the revenue and other income realized by the Group totaled RMB23.667 billion, representing an increase of RMB10.864 billion or 84.86%. This was mainly due to the consolidation and improvement of the market position of the traditional business of the Company. Meanwhile, the Company accelerated the development of the capital intermediary business. Revenue generated from the innovative business continued to increase and revenue generated from margin financing and securities lending, financing futures and stock repo trading accounted for 30%, of which:

- Commission and fee income amounted to RMB9.516 billion, accounting for 40.21%, representing an increase of 40.96% as compared to the last corresponding period, which was mainly due to the active trading and rising transaction amounts from the secondary market. Revenue from brokerage charges recorded a significant increase as compared to the same period of last year. Meanwhile, due to the scale increase and performance improvement of the asset management business, and the rapid growth of IPO business, both income from asset management and securities underwriting recorded increases compared to last year;
- Interest income amounted to RMB7.700 billion, accounting for 32.53%, representing an increase of 109.75% as compared to the last corresponding period, which was mainly due to the Group's active promotion of the margin financing and securities lending and Hong Kong margin financing and securities lending business, leading to a considerable increase in interest income from margin financing and securities lending. Meanwhile, the Group acquired UT Capital Group during the year, generating more interest income from financing leases;
- Net investment gains amounted to RMB5.709 billion, accounting for 24.12%, representing an increase of 165.51% as compared to the last corresponding period. The year-on-year increase of net investment gains was mainly due to the sound gains achieved in proprietary trading by capitalization on the prosperous market in 2014.

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

Unit: RMB'000

Item	January – December 2014		January – December 2013		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Commission and fee income	9,516,170	40.21%	6,751,188	52.73%	2,764,982	40.96%
Interest income	7,699,971	32.53%	3,670,965	28.67%	4,029,006	109.75%
Net investment gains	5,708,662	24.12%	2,150,038	16.79%	3,558,624	165.51%
Other income and gains	742,063	3.14%	230,543	1.81%	511,520	221.88%
Total revenue and other income	23,666,866	100.00%	12,802,734	100.00%	10,864,132	84.86%

(2) Total expenses

In 2014, total expense of the Group amounted to RMB13.414 billion, representing an increase of 79.69%, which was mainly due to the increase of interest expense and the staff cost, of which:

- The interest expenses amounted to RMB4.340 billion, representing an increase of 192.39% as compared to the last corresponding period, which was mainly due to the issuance of more corporate bonds and income receipts while it replenished its equity capital to expand the margin financing and securities lending business for a higher market share. Meanwhile, the Group acquired UT Capital Group during the year, leading to more interest expenses;
- The staff costs amounted to RMB4.131 billion, representing an increase of 57.60% as compared to the last corresponding period, which was mainly due to an increase in salary resulted from increases in the scope of consolidation and 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 RMB3.362 billion, representing an increase of 52.63% as compared to the corresponding period, which was mainly due to the increase in business taxes and the increase in various expenses arising from the rising scale of operation.

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The components of total expenses of the Group in 2014 are shown as below:

Unit: RMB'000

Total expenses	2014	2013	Increase/Decrease	
			Amount	Percentage
Staff costs	4,131,308	2,621,465	1,509,843	57.60%
Interest expenses	4,340,189	1,484,370	2,855,819	192.39%
Brokerage transaction fees and expenses of other services	868,022	514,208	353,814	68.81%
Commission to account executives	427,497	334,496	93,001	27.80%
Depreciation and amortization	284,304	307,319	-23,015	-7.49%
Other expenses	3,362,486	2,203,068	1,159,418	52.63%
Total	13,413,806	7,464,926	5,948,880	79.69%

3. Public welfare contributions

During 2014, the Group contributed RMB10,555,000 in total in public welfare areas like environmental protection projects, disaster relief donations, education subsidies and charity donations.

Breakdown of public welfare contributions for 2014

Unit: RMB'000

Item	Amount during the period
Charity donations	10,112
Others	443
Total	10,555

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4. *Cash flows*

In 2014, net increase of the cash and cash equivalents of the Group amounted to RMB3.940 billion, of which:

- (1) Net cash used in operating activities amounted to RMB29.338 billion, which was mainly due to the effect of cash outflow of RMB40.185 billion arising from the change of working capital of the Group. The major items suffered reduce in the working capital are:
 - The sizes of the loans and advances to customers and financial assets held under resale agreements were further enlarged with an operating cash outflow of RMB91.497 billion;
 - The financial assets measured at fair value through profit or loss were increased with an operating cash outflow of RMB10.203 billion.

Above cash outflows were partially offset by cash inflow of RMB47.869 billion due to the increase of financial assets sold under repurchase agreements and cash inflow of RMB13.150 billion resulting from placements from other financial institutions.

- (2) Net cash used in investing activities amounted to RMB12.294 billion, which was mainly due to the cash outflow of RMB7.075 billion arising from acquisition of subsidiaries and equity investments and the cash outflow of RMB1.923 billion arising from the increase of in available-for-sale investments.
- (3) Net cash from financing activities amounted to RMB45.573 billion, which was mainly due to the issuance of bonds, income receipt by the Group and its subsidiaries, which generated net cash inflow of RMB46.138 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 RMB47.9222 million in the research and development and hardware of the information system management platform by way of self-development, cooperative development and commissioned development.

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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.

(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 offering price of HK\$10.60 per share. The aggregate application monies of HK\$14.383 billion have been paid up in Hong Kong dollars in cash, and net proceeds after deduction of issuing and listing fees amounted to HK\$13.801 billion. As at 31 December 2014, the proceeds raised from H shares offering and interests received thereon had been used up.

On 26 March 2013, the Proposal on the Issuance of Short-term Financing Bills of Securities Companies and Proposal on the General Mandate to Issue Short-term Financing Bills of Securities Companies were considered and passed at the sixteenth meeting of the fifth session of the Board. The Proposals were considered and passed at the 2012 annual general meeting of the Company which is held on 27 May 2013. The validity period of the relevant resolutions were 40 months, and the chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of short-term financing bills at their sole discretion.

On 18 June 2013, the Company obtained the Supervision Letter regarding the Application of Issuing Short-term Financing Bills by Haitong Securities Co., Ltd. (Ji Gou Bu Han [2013] No. 407) issued by the Department of Fund and Intermediary Supervision of CSRC stating that the Department of Fund and Intermediary Supervision of CSRC had no disagreement with the Company in respect of the application of issuing short-term financing bills. The issue of short-term financing bills of the Company has been filed with the People's Bank of China, and the Company obtained the Notice of Issuing Short-term Financing Bills by Haitong Securities Co., Ltd. (Yin Fa [2013] No. 220) issued by the People's Bank of China on 16 September 2013, which approved that the maximum amount for the issue of short-term financing bills by the Company was RMB14.9 billion with a validity period of 1 year, during which the Company could issue short-term financing bills at its own discretion. During the Reporting Period, the Company completed the issue of four tranches of short-term financing bills with an aggregate principle amount of RMB10.8 billion.

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On 26 March 2013, the Proposal on the Issuance of Corporate Bonds and Proposal on the General Mandate to Issue Corporate Bonds were considered and passed at the sixteenth meeting of the fifth session of the Board. The proposals were considered and passed at the 2012 annual general meeting of the Company held on 27 May 2013, and the chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of corporate bonds at their sole discretion.

According to the approval issued by the CSRC (Zheng Jian Xu Ke [2013] No.1220) on 25 September 2013, the Company was permitted to issue corporate bonds with a total par value of no more than RMB23.0 billion to the public. The corporate bonds were issued in tranches, and the issue timing, size and other terms of each tranche were determined by the Company based on factors such as market conditions. The issue of the first tranche with a principal amount of RMB12.0 billion was completed on 27 November 2013, of which the principal amounts of the corporate bonds with a term of 3 years, 5 years and 10 years were RMB7.26 billion, RMB2.35 billion and RMB2.39 billion, respectively. The issue of the second tranche with a principal amount of RMB11.0 billion was completed on 16 July 2014, of which the principal amounts of the corporate bonds with a term of 3 years, 5 years and 10 years were RMB5.65 billion, RMB4.55 billion and RMB0.8 billion, respectively.

On 26 March 2013, the Proposal on the General Mandate to Issue Other Onshore Debt Financing Instruments was considered and passed at the sixteenth meeting of the fifth session of the Board. The proposal was considered and passed at the 2012 annual general meeting of the Company held on 27 May 2013, and the Company was permitted to issue onshore other debt financing instruments (excluding short-term financing bills of securities companies and corporate bonds) on an one-off or multiple issuances or multi-tranche issuances through public or non-public offerings, and the chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of other onshore debt financing instruments at their sole discretion.

On 28 October 2014, the Proposal on Issuance of Short-term Corporate Bonds of Securities Companies was passed at the at the twenty-ninth meeting (extraordinary meeting) of the fifth session of the Board by resolution, and the chairman and general manager of the Company were authorized to jointly or individually deal with related matters regarding the issuance of short-term corporate bonds of securities companies on behalf of the Company according to the resolutions passed at the general meeting and the authorization of the Board.

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According to the Circular on Related Matters of Pilot Issue of Short-term Corporate Bonds by Securities Companies (Department of Fund and Intermediary Supervision Bu Han [2014] No.1526) issued by CSRC, the Company was approved to perform the pilot issue of short-term corporate bonds. According to the Circular on Acceptance of the Filings of Issue of Short-term Corporate Bonds by Securities Companies (Shang Zheng Duan Zhai [2014] No.4, issued on 20 November 2014 and with a validity period of 1 year) issued by the Shanghai Stock Exchange and received by the Company, the principal amount of the short-term corporate bonds of securities companies with which the Company has filed the Shanghai Stock Exchange was RMB20.0 billion. During the Reporting Period, the Company completed the issue of two tranches of short-term corporate bonds with an aggregate principal amount of RMB7.5 billion.

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

In 2014, the Company continued to steadily promote the development strategy of "One Body, Two Wings (一體兩翼)", achieving active progress. In respect of the traditional business, the Company's market position was further consolidated and enhanced, among which: in respect of brokerage business, the market share of transaction volume of stocks funds continued to rank top four; in respect of investment banking business, the underwriting amount of equity financing ranked the second, and the transaction amount of the merger and acquisition business ranked the first; the scale of the assets management business constantly rose and the products under management performed well, occupying four of the top ten collective securities products in terms of performance; the profitability of assets management subsidiaries increased significantly. The Company focused on expanding the capital intermediary business, recording substantial growth in the scale of the financing business (including the margin financing and securities lending business, the stock pledged repo business and the agreed repurchase business). The Company also proactively promoted diversified equity-typed, interest-typed and cross-border-typed return swap businesses, actively carried out the market-making business and steadily promoted the assets transaction business with financial institutions. In respect of the investment business, the Company proactively captured opportunities on market trends and obtained good returns. Transaction strategies were further diversified and improved and continuity and stability of profitability of the investment business was further enhanced. The Company increased investments in the innovative business and revenue generated from the innovative business further increased. The Company attached great importance to the business internationalization development, closely followed the merger and acquisition opportunities of overseas markets and successfully promoted implementation of two overseas merger and acquisition events with sufficient demonstration: contracting to acquire BESI, with business layout likely to expand into the sophisticated markets in U.S. and Europe and the emerging markets such as South America and Africa and capability of global services further enhanced; succeeding in entering into the contract for acquisition of JapanInvest, a listed company in Japan, further strengthening the capability of research services to

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

institutional investors. The Company kept strengthening the construction of the four “pillars”, including talents, information technology, risk management and research, to safeguard its healthy development. The Company also enhanced building of capability of Internet finance, studied on formulation of the development planning in respect of Internet finance and restructured the business process through Internet to popularize the insights of Internet to increase the consciousness of services and to constantly promote its innovative development.

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

1. Overall situation of consolidated statement of financial position

In 2014, the total assets and the liabilities of the Group amounted to RMB352.622 billion and RMB280.358 billion, representing an increase of 108.50% and 166.96% compared with those at the beginning of the year respectively. The bank balance and cash of the Group represented 24.3% of its current assets; financial assets at fair value through profit or loss, available-for-sale investments, loan and receivable investments in total represented 18.04% of its total assets, loans and advances to customers represented 18.40% of its total assets, financial assets held under resale agreements represented 14.99% of its total assets, while property and equipment represented 0.34% 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:

	2014		2013		Unit: RMB'000 Increase/Decrease	
	31 December	Composition	31 December	Composition	Amount	Percentage
Non-current assets	48,996,084		13,077,439		35,918,645	274.66%
Of which: Finance lease						
receivables	12,826,397	3.64%	-	-	12,826,397	100.00%
Available-for-sale						
investments	8,714,786	2.47%	4,720,906	2.79%	3,993,880	84.60%
Investments in						
associates	5,686,141	1.61%	2,231,269	1.32%	3,454,872	154.84%
Loan and receivable						
investment	4,470,404	1.27%	1,829,199	1.08%	2,641,205	144.39%
Property and						
equipment	1,210,145	0.34%	1,171,604	0.69%	38,541	3.29%
Financial assets held						
under resale						
agreements	10,292,634	2.92%	-	-	10,292,634	100%
Goodwill	2,600,616	0.74%	623,072	0.37%	1,977,544	317.39%
Loans and advances						
to customers	-	-	934,200	0.55%	-934,200	-100%

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	2014		2013		Increase/Decrease	
	31 December	Composition	31 December	Composition	Amount	Percentage
Current assets	303,626,065		156,046,164		147,579,901	94.57%
Of which: Bank balance and cash	85,703,611	24.30%	52,586,993	31.09%	33,116,618	62.97%
Finance lease receivables	7,399,072	2.10%	-	-	7,399,072	100.00%
Financial assets at fair value through profit or loss	56,273,055	15.96%	47,590,047	28.14%	8,683,008	18.25%
Loans and advances to customers	64,883,359	18.40%	26,531,096	15.69%	38,352,263	144.56%
Financial assets held under resale agreements	52,873,455	14.99%	9,036,993	5.34%	43,836,462	485.08%
Available-for-sale investments	3,990,608	1.13%	4,951,872	2.93%	-961,264	-19.41%
Loan and receivable investment	3,347,033	0.95%	2,086,056	1.23%	1,260,977	60.45%
Total assets	352,622,149		169,123,603		183,498,546	108.50%
Current liabilities	221,124,256		86,657,902		134,466,354	155.17%
Of which: Accounts payable to brokerage clients	80,766,843	28.81%	40,429,567	38.50%	40,337,276	99.77%
Financial assets sold under repurchase agreements	59,807,864	21.33%	26,111,914	24.86%	33,695,950	129.04%
Financial liabilities at fair value through profit or loss	15,028,545	5.36%	6,506,512	6.20%	8,522,033	130.98%
Borrowings	19,807,574	7.07%	5,796,395	5.52%	14,011,179	241.72%
Short-term financing bill payables	22,926,586	8.18%	3,000,000	2.86%	19,926,586	664.22%
Net current assets	82,501,809		69,388,262		13,113,547	18.90%

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	2014		2013		Increase/Decrease	
	31 December	Composition	31 December	Composition	Amount	Percentage
Non-current liabilities	59,233,690		18,360,543		40,873,147	221.61%
Of which: Bonds payable	35,775,667	12.76%	17,939,628	17.08%	17,836,039	99.42%
Long-term borrowings	4,537,684	1.62%	-	-	4,537,684	100.00%
Financial assets sold under repurchase agreements	14,910,000	5.32%	335,329	0.32%	14,574,671	4,346.38%
Total liabilities	280,357,946		105,018,445		175,339,501	166.96%
Total equity	72,264,203		64,105,158		8,159,045	12.73%

* 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 2014, the non-current assets of the Group increased by 274.66% to RMB48.996 billion as compared to the beginning of the year, mainly due to the increase in finance lease receivables following merger of UT Capital Group and the increase in long-term investment such as available-for-sale investment held by the Group.

Current assets and liabilities

As at the end of 2014, the net current assets of the Group was RMB82.502 billion, representing an increase of RMB13.114 billion or 18.90% as compared to that of RMB69.388 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) scale of innovative businesses, such as stock pledge repurchase was increased, and the financial assets held under resale agreements increased as compared to last year; 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) more funds were attracted to the stock market and securities companies due to a prosperous market in the second half of 2014, resulting in a larger increase in bank balances and cash as compared with the last year.

The increase of the current liabilities of the Group was mainly due to a larger increase in accounts payable to brokerage clients due to the rise in the securities market in the second half of 2014 and the appropriate increase in financial assets sold under repurchase agreements and increase in short-term financing bill payables.

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Non-current Liabilities

The increase of the non-current liabilities of the Group was mainly due to the increase in long-term borrowings following the merger of UT Capital Group and the issue of medium term notes and corporate bonds by the Group.

Borrowings and bond financing

As at 31 December 2014, the total borrowings and bond financing of the Group amounted to RMB97.318 billion. Set out below is the breakdown of borrowings and bond financing for the Group at the end of December 2014:

	31 December 2014	<i>Unit: RMB'000</i> 31 December 2013
Bonds payable	35,775,667	17,939,628
Borrowings	24,345,258	5,796,395
Short-term financing bill payables	22,926,586	3,000,000
Placements from other financial institutions	14,270,000	1,120,000
Total	97,317,511	27,856,023

For the information of interest rate and maturities of borrowings and bonds financing, please refer to notes 42, 43, 44 and 57 set out in the financial information.

As at 31 December 2014, borrowings and bonds financing matured within one year amounted to RMB57.004 billion, and the Group's total current assets amounted to RMB82.502 billion, which was more than the interest-bearing liabilities including bonds payable matured over within 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 2014, 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 2014, reserves of the Company distributable to shareholders of the Company amounted to RMB12.924 billion.

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

- (1) As compared to the end of last year, the Group consolidated another 44 entities this year, which were one subsidiary of HFT Investment Management Company Limited recently established, three subsidiaries of Haitong Capital Investment Co., Ltd. recently established, 28 subsidiaries established by Haitong International Holdings Limited and its subsidiaries and 12 structured entities increased.
- (2) The Group totally reduced three entities, which were one subsidiary, deregistered by Haitong International Securities Group Limited, and two structured entities, reduced upon the expiry of contracts during the Reporting Period.

(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 taken the market opportunities and strengthened its capital strength rapidly through several strategic equity financing and bond financing from 2007 to 2013. The Company completed the contracting for subscription of H Shares additionally issued in 2014. The Company will see its capital strength be further enhanced in the future along with the smooth implementation of its additional issue of H Shares. 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 2014 respectively. 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 in Hong Kong and UT Capital Group and contracted to acquire BESL. The Group 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 enhanced global service provision capability, and has provided powerful support for its business development.

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

The Company has speeded up its network layout. As at 31 December 2014, the Company had 307 securities and futures business departments (including 271 securities business departments and 36 futures business departments) spanning across 28 provinces and 152 cities in the PRC, as well as 13 branches in Hong Kong and Macau operated through our subsidiary, Haitong International Securities. After the acquisition of BESI, the Group's network was further expanded to mature and emerging markets, such as Europe, North America, South America, and Africa. Leveraging its nationwide strategically branch network, the Group has built a large and stable customer base. As at 31 December 2014, the Group had over 5 million customers onshore and offshore.

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 clients' financing business 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 onshore and offshore customers. The proportion of revenue generated from innovative businesses continued increasing, and has exceeded 30% in 2014, which effectively offset the adverse effect by the revenue decrease in traditional businesses.

5. Comprehensive international business platform

The Company successfully acquired and integrated Taifook Securities, the second largest independent security firm in Hong Kong (now known as "Haitong International Securities"), and became among the first group of PRC securities firms to own a controlling interest in a full-service overseas securities platform through acquisition. In 2014, the Company again successfully signed a contract for the acquisition of BESI, which will expand our international business presence to the mature markets in Europe and America and the emerging markets in South America and Africa. The Company successfully set up a cross-border business platform in Shanghai Free Trade Zone to further improve the cross-border business. Haitong International Securities successfully entered into the contract for acquisition of JapanInvest, a listed company in Japan, which will further enhance our research service capability with regard to international institutional investors. The Company will benefit from the comprehensive international business platform to capture the cross-border business opportunities, meet the cross-border business needs of the customers, and enhance the international influence of the Company.

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

The Company has navigated through several market and business cycles, regulatory reforms and industry developments over its 26 years of operating history. The Company is the only major PRC securities firm founded in the 1980s that remains in operation and retains the same brand without receiving government-backed capital injections or being acquired or restructured. The Company has developed a comprehensive risk control system to effectively manage 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 monitors its operations and transactions.

(V) **Analysis on investments**

1. *External equity investments*

As at the end of the Reporting Period, the long-term equity investments of the Group amounted to RMB5.686 billion, representing an increase of RMB3.455 billion, or 154.84%, as compared with RMB2.231 billion as at the end of last year. The increase was mainly attributable to additional equity investments of Haitong Capital Investment and Haitong International Holdings and its subsidiaries, among which, Haitong Capital Investment increased RMB1.420 billion and Haitong International Holdings and its subsidiaries increased RMB1.873 billion.

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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	Profit and loss during the Reporting Period (RMB'000)
							investment at the end of the period (%)	
1	Treasury bonds	010213	02 Treasury Bonds (13)	2,037,662.15	21,120,000.00	2,056,876.80	3.01	139,648.04
2	Treasury bonds	010107	21 Treasury Bonds (7)	1,481,182.72	14,300,000.00	1,480,765.00	2.17	152,052.91
3	Preferred shares		ICBC Preferred Shares in US Dollars	856,235.40	1,400,000.00	871,077.59	1.27	14,842.19
4	Treasury bonds	140019	14 Interest-bearing Treasury Bonds 19	694,402.50	6,900,000.00	696,330.75	1.02	6,774.84
5	Preferred shares		ICBC Preferred Shares in RMB	648,036.68	6,500,000.00	656,305.00	0.96	8,268.32
6	Treasury bonds	140022	14 Interest-bearing Treasury Bonds 22	549,677.15	5,500,000.00	551,746.80	0.81	7,492.33
7	Funds	530002	CCB Money Market Fund	500,000.00	500,000,000.00	500,000.00	0.73	-
8	Treasury bonds	140028	14 Interest-bearing Treasury Bonds 28	489,341.77	4,900,000.00	490,722.75	0.72	2,113.79
9	Funds	511880	Yinhua Rili	500,947.20	480,000,000.00	481,416.00	0.70	763.20
10	Funds	511220	HFT SSE Pledgeable Investment Bond ETF	499,749.02	5,018,361.00	471,685.79	0.69	-28,488.83
Other securities investment held as at the end of the period				57,257,108.75	/	60,106,083.25	/	2,734,634.12
Profit and loss for securities investment sold during the Reporting Period					/		/	2,039,780.03
Total				65,514,343.33	/	68,363,009.73	100.00	5,077,880.94

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 Company 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 held for trading listed in the consolidated statements of the Company;

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.

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
002353	傑瑞股份	340,217.89	0.76%	224,302.18	1,187.50	-114,593.75	Available-for-sale financial assets	Non-public issuance of shares and purchase from secondary market
600705	中航投資	34,709.82	0.15%	191,349.54	1,361.54	94,803.70	Available-for-sale financial assets	Purchase from secondary market
600198	大唐電信	109,434.65	1.20%	123,565.75	-	14,114.32	Available-for-sale financial assets	Mergers and Acquisitions of Direct Investment and purchase from secondary market
600885	宏發股份	87,000.00	1.09%	108,344.00	-	21,179.82	Available-for-sale financial assets	Non-public issuance of shares
300315	掌趣科技	87,000.00	0.50%	94,470.02	-	7,470.02	Available-for-sale financial assets	Non-public issuance of shares and purchase from secondary market
000156	華數傳媒	26,796.19	0.16%	45,830.72	-	19,034.53	Available-for-sale financial assets	Purchase from secondary market
600030	中信證券	9,809.44	0.01%	25,877.80	-5,473.82	-10,708.27	Available-for-sale financial assets	Purchase from secondary market
601328	交通銀行	15,510.09	0.00%	20,187.31	-901.72	20,186.54	Available-for-sale financial assets	Purchase from secondary market
000651	格力電器	10,399.68	0.02%	19,208.63	1,600.54	-1,223.82	Available-for-sale financial assets	Purchase from secondary market
601788	光大證券	8,500.26	0.02%	16,281.13	11.41	11,323.77	Available-for-sale financial assets	Purchase from secondary market
Shareholding of other listed companies		490,122.82	/	631,193.87	21,443.67	194,765.35	/	/
Total		1,219,500.83	/	1,500,610.96	19,229.12	256,352.21	/	/

Note 1: This table only shows the accounting shareholdings in other listed companies for available for-sale financial assets and long-term equity investments by the Company;

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

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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	27.775	-	420,931.86	105,107.34	9,456.51	Long-term equity investments	Capital contribution for subscription
HFT Investment Management Co., Ltd.	67,000.00	76,500,000.00	51.00	-	76,500.00	75,807.34	-2,147.26	Long-term equity investments	Capital contribution for establishment of subsidiaries
Haitong-Fortis Private Equity Fund Management Co., Ltd.	63,650.00	67,000,000.00	67.00	-	63,650.00	13,923.90	-63.77	Long-term equity investments	Capital contribution for establishment of subsidiaries
Haitong Futures Co., Ltd.	699,191.78	666,670,000.00	66.667	-	699,191.78	94,705.89	-935.00	Long-term equity investments	Subsidiaries acquired through business combination not involving entities under common control
Haitong International Holdings Limited	5,071,838.00	6,000,000,000.00	100.00	1,577,800.00	5,071,838.00	894,996.89	-897.77	Long-term equity investments	Capital contribution for establishment of subsidiaries
Haitong Capital Investment Co., Ltd.	6,000,000.00	6,000,000,000.00	100.00	250,000.00	6,000,000.00	214,398.08	97,488.79	Long-term equity investments	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	323,847.07	21,300.05	Long-term equity investments	Capital contribution for establishment of subsidiaries
Shanghai Haitong Securities Asset Management Company Ltd.	1,200,000.00	1,200,000,000.00	100.00	200,000.00	1,200,000.00	533,969.85	2,348.24	Long-term equity investments	Capital contribution for establishment of subsidiaries
Total	16,194,587.15	17,060,165,000.00		2,027,800.00	16,532,111.63	2,256,756.36	126,549.78		

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

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 parent company;

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

Note 3: Changes in interests of owners during the Reporting Period refer to the effects on the consolidated interests of owners 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 RMB16.195 billion, representing an increase of RMB2.028 billion as compared to the end of 2013 (RMB14.167 billion), mainly due to investment increases in Haitong International Holdings Limited, Haitong Capital Investment Co., Ltd. and Shanghai Haitong Securities Asset Management Company Ltd., of which Haitong International Holdings Limited increased its share capital via convertible bonds and the remaining increased capital with cash.

5. Trading in shares of other listed companies

Buying or selling	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 (RMB'000)
Buying shares	2,543,123,571.03	216,258,264,541.93	2,681,638,040.79	7,638,473.61	904,210.63
Selling shares	-	216,119,750,072.17	-	-	-

The total investment gains generated from selling new shares obtained from application for subscription during the Reporting Period amounted to RMB48,538,286.45.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

6. Use of proceeds

(1) Overall use of proceeds of H Shares issuance

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, all the raised proceeds and interests of the Company were utilized. As of 31 December 2014, the designated account of the raised proceeds was cancelled.

Unit: RMB'0000

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)	1,118,402.35	19,920.99	1,118,402.35	-	-

Note: The funds used this year were all interests.

(2) Use of proceeds on committed projects

Unit: RMB'0000

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	381,321.55	-	381,321.55	Yes	100%	-	60,106.77	-	-	-
Proceeds used to expand our margin financing and securities lending business	No	226,541.09	-	226,541.09	Yes	100%	-	14,120.49	-	-	-

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

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	Explanations		
									Whether the expected revenue achieved	on failure to achieve the schedule and expected revenue	Reasons of changes and explanations on change in proceeds
Proceeds used to develop our alternative financial products investment business and other businesses as permitted by the PRC regulatory authorities	No	226,980.45	-	226,980.45	Yes	100%	-	24,502.32	-	-	-
Proceeds used for capital contributions to Haitong Capital Investment and the expansion of our direct investment and private equity funds management businesses	No	170,084.90	-	170,084.90	Yes	100%	-	6,959.21	-	-	-
Proceeds used for working capital and general corporate purposes	No	133,395.35	19,920.99	133,395.35	Yes	100%	-	12,086.85	-	-	-

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 when the capital is used.

(3) Changes in fund-raising projects

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

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

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

(1) *Capital contributions to Shanghai Haitong Securities Asset Management Company Ltd.*

On 28 March 2014, the Proposal on Capital Contributions to Shanghai Haitong Securities Asset Management Company Ltd. was considered and passed at the twenty-fourth meeting of the fifth session of the Board, it was resolved to make capital contribution of RMB200 million to Shanghai Haitong Securities Asset Management Company Ltd. (“Haitong Asset Management” hereinafter), a wholly-owned subsidiary of the Company. The changes of business registration of Haitong Asset Management in respect of its increase in registered capital and relevant amendments to the Articles of Association were completed on 26 September 2014.

(2) *Participation in initiating the establishment of E-Capital Transfer Co., Ltd. (證通公司)*

On 18 November 2014, the Proposal on Participating in the Establishment of E-Capital Transfer Co., Ltd. (證通公司) was considered and passed at the thirtieth meeting (extraordinary meeting) of the fifth session of the Board, and the Company was approved to participate in the establishment of E-Capital Transfer Co., Ltd. (證通公司) by utilizing RMB50 million to subscribe 50,000,000 shares at RMB1 per share. E-Capital Transfer Co., Ltd. (證通公司) completed its business registration and was established on 8 January 2015 successfully, with its equity registration still in process.

(3) *Capital contributions to Haitong Capital Investment Co., Ltd.*

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

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

8. Analysis on principal subsidiaries and non-controlling companies

- (1) The registered capital of HFT Investment Management Company Limited was RMB150 million, 51% of which was held by Haitong Securities. As at 31 December 2014, total assets and net assets of HFT Investment Management Company Limited amounted to RMB1,175 million and RMB887 million respectively. In 2014, its net profit amounted to RMB149 million.

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

- (2) The registered capital of Fullgoal Fund Management Co., Ltd. was RMB180 million, 27.775% of which was held by Haitong Securities. As at 31 December 2014, total assets and net assets of Fullgoal Fund Management Co., Ltd. amounted to RMB2.208 billion and RMB1.516 billion, respectively. In 2014, its net profit amounted to RMB384 million.

The main business scope of Fullgoal Fund Management Co., Ltd. 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 Co., Ltd. was RMB100 million, of which 67% was held by Haitong Securities. As at 31 December 2014, total assets and net assets of Haitong-Fortis Private Equity Fund Management Co., Ltd. amounted to RMB170 million and RMB134 million, respectively. In 2014, its net profit amounted to RMB21 million.

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

- (4) The registered capital of Haitong Futures Co., Ltd. was RMB1 billion, of which 66.667% was held by Haitong Securities. As at 31 December 2014, total assets and net assets of Haitong Futures Co., Ltd. amounted to RMB12.994 billion and RMB1.280 billion, respectively. In 2014, its net profit amounted to RMB142 million.

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

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

- (5) The registered capital of Haitong International Holdings Limited was HK\$6 billion, of which 100% was held by Haitong Securities. As at 31 December 2014, total assets and net assets (attributable to the Company) of Haitong International Holdings Limited amounted to HK\$86.696 billion and HK\$7.698 billion, respectively. In 2014, its net profit amounted to HK\$1.452 billion.

Haitong International Holdings Limited's 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 Co., Ltd. was RMB6 billion, of which 100% was held by Haitong Securities. As at 31 December 2014, total assets and net assets (attributable to the Company) of Haitong Capital Investment Co., Ltd. amounted to RMB7.844 billion and RMB6.717 billion, respectively. In 2014, its net profit amounted to RMB245 million.

The main business scope of Haitong Capital Investment Co., Ltd. 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. was RMB3 billion, of which 100% was held by Haitong Securities. Haitong Innovation Securities Investment Co., Ltd. has total assets and net assets of RMB4.405 billion and RMB3.677 billion as at 31 December 2014, respectively. In 2014, its net profit amounted to RMB324 million.

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

- (8) The registered capital of Shanghai Haitong Securities Asset Management Company Ltd. was RMB1.2 billion, of which 100% was held by Haitong Securities. Shanghai Haitong Securities Asset Management Company Ltd. had total assets and net assets of RMB15.301 billion and RMB1.592 billion as at 31 December 2014, respectively. In 2014, its net profit amounted to RMB534 million.

The main business scope of Shanghai Haitong Securities Asset Management Company Ltd. includes securities asset management.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

9. Others

(1) *Newly establishment and disposal of business departments, branches and subsidiaries during the Reporting Period*

During the Reporting Period, the Company was permitted by the regulatory authorities to establish three securities branches which were in operation and 31 securities business departments. As at the end of the Reporting Period, the Company had 27 securities branches and 271 securities business departments (for details, please refer to Appendix II of this Report) in total.

(2) *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 non-standard 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 130 unqualified capital accounts (including 87 unqualified cash-only accounts), 9,881 small-amount-dormant capital accounts (including 499 cash-only small-amount-dormant accounts), and 185 dormant accounts without risk management. As at 31 December 2014, the Company still had 26,603 unqualified capital accounts (including 23,317 unqualified cash-only capital accounts), 1,571,213 small-amount-dormant capital accounts (including 446,895 cash-only small-amount-dormant capital accounts) and 98,867 dormant accounts without risk management.

(3) *Development of innovative business*

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

- Giving active impetus to all innovative businesses led by the regulatory authorities. The Company is among the first group of securities companies obtaining the qualifications to conduct Shanghai-Hong Kong Stock Connect and the SSE 50 ETF options market making business, and successfully obtained the qualifications to conduct innovative businesses including futures, income receipts, market making on the New OTC Board, online securities, foreign currency-denominated securities underwriting and gold trading. A number of asset securitization projects were completed, covering Bank of Communications, BoCom Financial Leasing and Pudong Development Group. Positive progress has been made on setting up cross-border business platform in Shanghai Free Trade Zone.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

- Continuously strengthening its independent innovation to provide innovative business solutions to customers. The Company successfully completed the issuance of corporate bond of Beijing Infrastructure Investment Co., Ltd., the first “super long-term bond” in China and revenue bond of the trash-to-energy project of Guangzhou Thermal Power, the first revenue bond of a project in China. The project of “2013 Wuhan Metro Renewable Bond” won the first prize of 2014 Shanghai Financial Innovation Prize. Breakthroughs have been made on equity and fixed income cross-border swap business, which became the new profit centers of the Company.
- Its innovative business maintained a leading position in the industry. The Company ranked top in the industry in terms of the scale of clients’ financing business such as 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 proportion of revenue generated from innovative business constantly increased, which effectively offset the adverse effect of the revenue decrease in traditional businesses.

(VI) Special purpose entities controlled by the Group

As at 31 December 2014, there were five special purpose entities controlled by the Group, including Haitong Capital International Investment Co., Ltd., Haitong International Finance Holdings Limited, Haitong International Strategic Investment Limited, Haitong International Global Strategic Investment Limited and Unican Limited.

1. Haitong Capital International Investment Co., Ltd. is a wholly-owned subsidiary of our wholly-owned subsidiary established in Hong Kong, Haitong International Holdings Limited, 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., Ltd. will become the platform to raise QFLP funds overseas for Haitong Innovative Capital Management Co., Ltd., a subsidiary of our direct investment subsidiary Haitong Capital Investment Co., Ltd. The introduction of QFLP will enrich the capital source and promote the development of equity investment business.

2. Haitong International Finance Holdings Limited is a wholly-owned subsidiary of our wholly-owned subsidiary established in Hong Kong, Haitong International Holdings Limited, and was registered in British Virgin Islands on 19 September 2013, with a registered capital of USD50,000 and paid-up capital of USD1.

Haitong International Finance Holdings Limited was established as the issuing body of the bond of USD900 million issued overseas by the Company on 29 October 2013. Using the special purpose entity as the overseas issuing body can realize the risk isolation.

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3. Haitong International Strategic Investment Limited is a wholly-owned subsidiary of our wholly-owned subsidiary established in Hong Kong, Haitong International Holdings Limited, and was registered in British Virgin Islands on 16 October 2013, with a registered capital of USD50,000 and paid-up capital of USD1.

The Company will take the Haitong International Strategic Investment Limited as a platform to conduct cross-border securities 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 Hong Kong business conducted by our wholly-owned subsidiary Haitong Limited International Holdings Limited in Hong Kong.

4. Haitong International Global Strategic Investment Limited is a wholly-owned subsidiary of our wholly-owned subsidiary established in Hong Kong, Haitong International Holdings Limited, and was registered in the Cayman Islands on 3 January 2014, with a registered capital of USD50,000 and paid-up capital of USD1.

Haitong International Global Strategic Investment Limited will become an important platform for the Company to conduct cross-border RQFII bonds business, and it will also help to integrate domestic and overseas resources and realize the synergic effect of domestic and overseas business collaboration, so as to improve the overall competitiveness of the Company.

5. Unican Limited is wholly owned by Haitong UT Capital Group Co., Ltd., a wholly-owned subsidiary of Haitong International Holdings Ltd. established in Hong Kong, and was registered in British Virgin Islands on 23 April 2014, with a registered capital of USD1 and paid-up capital of USD1.

Unican Limited was established as the issuing body of the RMB bonds in the amount of RMB500 million and RMB1.6 billion issued overseas by Haitong UT Capital Group Co., Limited on 30 May 2014 and 18 September 2014, respectively. Using the special purpose entity as the overseas issuing body can realize the risk isolation.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

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 impact of internet finance, deregulation on securities industry and lower entry barrier, the earning base of the securities industry will change dramatically. The industry competition will become further intensive and the industry structure is going to have immense change. The development of the securities industry is expected to see trends including development of capital intermediary services and expansion of leveraging channels further lifting the operation leverages of the industry; two-way opening of the market, with international and globalized development of the industry being facilitated by free cross-border liquidity; speeding up of the industry integration and strengthening market centralization; more intensive competition among the leaders of the industry and leading to a differentiated operation; and elimination of profit-earning pattern of operation based on license and supervision. Capabilities in capital, size of customer base and provision of professional services will become the preliminary bases to enhance the core competitive advantages.

(II) Development strategy of the Company

In order to accelerate its transformation, the Company continues to carry out the development strategy of centering on customers, taking intermediary businesses such as brokerage, investment banking and asset management as core businesses, meanwhile, developing capital intermediary business and investment/leasing business as the wings, making the concept of innovation and internationalization as the driving force, enhancing the establishment of its four "pillars", being research, talent, IT and risk management and compliance. Meanwhile, we enhance our capital and investment management ability, assets and wealth management, investment banking underwriting and sales pricing ability, institutional brokerage and sales transaction and online securities services in order to build the Company as a domestic leading and globally influential financial service group with online securities, wealth management securities, SME securities and institutional securities as the core.

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(III) Business plan

The year of 2015 is the most important year for the Company to further consolidate and enhance the market position, speed up the business transformation, improve the internationalized layout and upgrade the core competitiveness. The Company will focus on the following works: completing private placement of H Shares, improving its financing structure, to provide strong capital guarantee for the rapid business development of the Company; strengthening liabilities and capital pricing management and appropriately adjusting its operation leverages to promote the rapid growth of scale; accelerating the consolidation of BES1 to promote domestic and overseas business collaboration, so as to implement its international strategy through cross-border operations; increasing resource investments in Internet finance to constantly enhance the customer base; further strengthening its sales and trading ability and product innovation, to focus on developing its institutional business.

(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 capital intermediary businesses required a large number of capital. Launch of the stock index futures business has provided good opportunities for 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 part of the Company's strategy. Based on its organic growth, it continues to expand its investment in foreign business. In the meantime, the Company will keep seeking appropriate M&A targets, to realize cross-section growth, which also request capital injection.

Overall, the Company is in face of historic opportunities for 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 exposed to 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 the Company's securities trading and in the market value of securities invested which could bring loss to the Company. Market risk includes securities 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 2014, Shanghai and Shenzhen indices turned strong from weakness. SSE Composite Index started with point 2,115.98 at the end of 2013 and at the end of December the closing quotation was point 3,234.68, 52.87% higher than that at the end of 2013. SZSE Composite Index increased by 35.62%, a smaller extent.

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For the management of market risk, the Company mainly implements diversified investment strategies, properly controls and timely regulates the equity securities position, and uses stock index futures for hedging, thus effectively controlling the market risk. The Company regularly follows up the risk value changes of equities security position to monitor the market risk influence on equity securities value. The ratio between value at risk and net capital and net assets of the Company's equity and its derivative assets at the end of each month in 2014 fluctuated to a certain extent during the Reporting Period, while the ratio was always within 0.3%. In addition, the Company carried out the small-scaled over-the-counter option business. Overall, the market risk was in good control with risks controllable and acceptable during the Reporting Period for the Company. 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. In 2014, the interest rates went south on the whole in monetary market, comparing with last year. The interest rates in the money market dropped in volatility in the first half and became stable in the second half. Facing the downward pressure of macro economy, the central bank utilized the monetary instrument policy flexibly and injected liquidity to the market through reverse repurchase, targeted RRR cuts, Short-Medium-term Lending Facilities and Short-term Lending Facility, to regulate the market expectation effectively. At the end of November, the central bank also announced to cut the interest rates on RMB loans and deposits of financial institutions, bringing a relatively favorable environment for the funds.

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The China bond index continued to rise with the bond yield curve falling in volatility in 2014. The China bond composite full-price index closed at point of 114.5 at the end of December, representing an increase of 6.54% as compared to that of last year. For proprietary trading of the Company's non-equity securities, the investment scale displayed a stable trend based on the trend and judgment of bond market. However, the overall portfolio duration was put under control during the Reporting Period and each-month-end duration was also relatively stable with little changes. At the end of December 2014, the duration was 2.76, slightly lower than 2013-year end 3.44. In 2014, the Company continued to conduct interest rate swap and treasury bond futures businesses with controllable scales and risks in order to further enrich the management tools for interest rate risks. In 2014, market risk for the fixed-income investment of the Company was under proper control.

- C. Currency risk. Currency risk refers to the risk of fluctuations in the fair value of financial instruments or future cashflows 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. Currently the offshore investments of the Company are mainly long-term equity investments which are less vulnerable to the short-term exchange rate fluctuations and the risks are controllable.

(2) *Credit risk*

Credit risk refers to the risk that the borrower or the counter party fails to perform the contract obligations, thus leading to loss.

Generally speaking, credit risk faced by securities companies in the industry mainly involves counter party failing to perform the contract obligations, 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 services. 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 margin financing and securities lending, the Company formulated and implemented various strict systems and measures to control the credit risk related to this business via credit investigation, credit granting, marking to market, close position and other stages. For stock-pledged 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 closing the position and other approaches. 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 thus the credit risk of investment objects is controlled well.

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(3) *Liquidity risk*

Liquidity risk refers to the risk that a company is unable to gain sufficient funds with reasonable cost in a timely manner to pay its due debts, satisfy other payment obligations and meet the requirements for carrying out the normal business operations. In light of factors such as larger business scale of proprietary operation and rapid growth of subordinated credit business, the operation of the Company is subject to factors including macro policy, changes of market conditions, and credit of clients. The Company may also subject to liquidity risk arising from mismatched asset-liability structure. During the Reporting Period, the Company focused on measures such as the matching between asset and liability, maintaining sufficient quality asset scale and optimizing financing channels, to enhance its ability of liquidity management and to eliminate and reduce the liquidity risk. On the one hand, the Company has controlled its long-term ratio of asset utilization, achieving a scientific utilization of capital. The Company managed the scale of its proprietary operation, including various kinds of products such as equity and fixed income products. Based on the principle of diversified investment and taking into account of the liquidity of the products invested, the Company prevented the liquidity risk through limiting the scope of investment for products, emphasizing the reasonable layout of diversified positions and outstanding of major assets. On the other hand, in order to further strengthen its ability of liquidity management, the Company has also maintained good relationship with major commercial banks. The Company had financing through corporate bonds, short-term financing bills, short-term corporate bonds of securities companies, subordinated bonds, income receipts and other ways approved by competent authorities, to address its demand for funds and optimize its liability structure.

During the Reporting Period, the Company has built a scientific liquidity risk management system and issued various Liquidity risk management systems including the liquidity risk management measures, the contingency plan of liquidity risk management, and the measures for managing day-time liquidity and risk management rules. In addition, the Company has identified and assessed the liquidity risk and strengthened its ability to resist liquidity risk through determining its liquidity risk preference, supervising the performances of risk indicators and establishing appropriate contingency plan. In order to enhance the scientific management and prediction of its liquidity risk, the Company also has developed a liquidity risk exposure test model based on its structure of terms of liabilities and quality asset reserves. The Company has improved the efficiency of liquidity risk management through standardizing liquidity risk management reports, and establishing liquidity risk management information system.

On the whole, the Company holds sufficient reserve assets with strong liquidity and has good risk control indices, with liquidity risk basically under control.

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(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 along with the improvement of supervisory policies.

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, feasibility and potential risks of the business, and formulated business management policies, specifying 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 for Internal Control of Securities Company issued by 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.

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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 financial assets and financial assets held for trading bringing about fair value fluctuation due to the stock market price fluctuation. The Company adheres to standard operation and has no significant 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 and avoid any 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.

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) Adhering to the development strategy of international development and innovation. Through the steady progress of internationalization strategy and international business expansion, the Company is aimed at raising the international brand recognition 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. By taking advantage of benefits brought by global development, the Company is trying to strengthen the cross-border cooperation between parent companies and subsidiary companies, study and explore ways and tools of cross-border risk hedging.
- (2) Proactively exploring to strengthen capital strength through equity financing and debt financing and enhancing understanding on development of the global financial market, and increasing corporate competitiveness and overall risk management capability. In 2014, the Company successfully issued corporate bonds, short-term financing bills and short-term corporate bonds, which further enhanced the capital strength 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.

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- (3) Insisting 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 protect interests of minority shareholders, 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.
- (4) 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 to be strong enough to withstand the impact of adverse changes in market economic environment.

By strengthening the study of domestic and international macro economy, industry economics and listed companies, the Company has improved control over market fluctuations; based on the judgment to 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.

- (5) Strengthening compliance and risk management.

On the one hand, the Company continues to improve the management functions of various compliances and risk management standards to strictly prevent compliance risks. For supporting development of the innovative business of the Company, the Company sticks to putting compliance in the front, introduces compliance and risk management into the preliminary audit of the business, penetrates them into all stages of the business development and improves the processes of compliance and risk management of the innovative business to ensure align the compliance and risk management with business innovation. The Company further strengthens anti-money laundering work and Chinese wall construction, compliance monitoring, and prevents violations such as inside trading, conflict of interest, and transfer of benefits. It increases the audit and inspection of various businesses to ensure that the system, procedures and risk management measures are effectively implemented. It also 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.

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On the other hand, the Company persistently establishes its risk management system intensively and comprehensively, through setting up a system of authorization and consolidating the coverage of risk management. By strictly adhering to regulatory compliance and improving its internal control establishment, the Company implements the comprehensive risk management system in terms of system and procedures, indicators and limitations, system establishment, supervision and control and reporting, inspections and appraisals, and importing talents, in order to ensure the perfectness of the risk management system and fulfillment of responsibilities. To support the rapid growth of innovative operations such as financing business, the Company strengthens its compliance and auditing functions, credit risk assessment, liquidity risk management and establishment of related systems. The Company also improves the overall functions of its subsidiaries in regular reporting, to enhance its risk management standard on the whole.

- (6) Continuing to improve net capital monitoring system, strengthening the net capital-oriented risk control indicator monitoring system, and optimizing allocation of net capital between various businesses, so as to prevent and resolve the liquidity risk. At the same time, the Company strengthens the application of sensitivity analysis and stress testing tools, providing risk assessment support for major business development and important decisions in a timely manner.
- (7) Increasing 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) systems of the Company, promotes customer relationship management systems and database construction and provides strong support for business development.
- (8) Adhering 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 advantages of integration of the channels and resources of customer service, properly undertake management work of investor eligibility, and devotes to appropriate products and services for all types of customers.
- (9) Adhering to optimizing internal control system, fully implementing the requirements of “Basic Standard for Enterprise Internal Control” and related guidelines, and building the risk management system in accordance with international standards.

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(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, Circular concerning the Issuance of 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 control 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, 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 risk control indicators including net capital approach or touch the pre-warning standards, the Company will replenish net capital by reducing the scale of the proprietary investment products with high risks, reinforcing collection of receivables, raising share capital, issuance of subordinated debts or convertible bonds, etc.

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 RMB37.110 billion, net asset was RMB65.022 billion and net gearing ratio was 57.07%. During the Reporting Period, the operating risks were basically controlled at an acceptable level with asset in high quality and standardized business operations, and its risk control indicators were in line with regulatory requirements.

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

In 2014, the Company conducted sensitivity analysis or stress testing on significant events including upper limitation of proprietary trading business scale, issuance of debt instruments, establishment of branches, investment banking underwriting projects, operation of new businesses and issuance of new products 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 2014, the Company conducted a total of 85 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 CSRC Shanghai Branch, 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 the new period of innovative development, the Company sticks to putting compliance in the front and penetrates compliance management into each stage of business development to guarantee steady promotion of business innovation.

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 management framework system with clear duties delegated. The system is composed of four layers: the Board and its Compliance and Risk Control Committee, General Compliance Officer, the compliance department and compliance officers in all departments, branches and subsidiaries.

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Compliance duties of the Board of the Company 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 relevant management system and business processes; maintaining communication with securities regulatory authorities and relevant self-regulatory organizations, and proactively cooperating 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.

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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; managing compliance work manuscripts such as compliance review, consultation and inspection of general compliance officers and the department and duty performance records of general compliance officers; other duties delegated by the Board and general compliance officers.

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 various business of the relevant entity; 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.

In 2014, the Company was rated as "Grade AA, Category A" in the regulatory rating of securities companies.

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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 Supervisory Committee**

✓ N/A

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

Explanation of changes of accounting policies

During the Reporting Period, there was no material change in IFRS.

Explanation of changes of accounting estimates

In accordance with the related provisions such as PRC GAAP and Financial Rules for Financial Enterprises, and based on the principle of caution and nature of risk of financing business, after the consideration made in the thirty-second meeting of the fifth session of the Board, the Company has determined to change the way of making provisions for bad debts. According to the related provisions of PRC GAAP, such change belongs to a change in accounting estimates and should be adopted in the future, if applicable and should not be applied retrospectively for the previous years. Thus, there is no impact on the financial reports published by the Company. The provision made by the Company in 2014 for bad debts of financing business which affected its total profit amounted to RMB174 million.

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

✓ N/A

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

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

The Company, in strict accordance with the Articles of Association, adopts a continuous, stable and aggressive profit distribution policy, which focuses on providing reasonable investment returns to shareholders. Cash dividends of RMB7.648 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 2013. From 2007 to 2013, 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%, 73.42% and 47.40%, respectively.

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The Company has expressly stipulated the profit distribution policy in its Articles of Association, that “the Company may, according to the profit made by the Company and taking into account the actual situation as well as current and long-term benefit of the Company, distribute dividend by way of cash or shares, and have the priority to distribute dividend by cash. In principle, the Company will distribute cash dividend for the year with profit. The Company may distribute interim dividend. Profit distribution shall satisfy the regulatory requirements, not exceed the accumulated distributable profit and not influence continuous operation capacity of the Company. If the Company generated profits in the previous accounting year but the Board did not make 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 annual report and the Independent 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 percentage 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 circumstances occurs, the Company can adjust or amend the aforesaid profit distribution policy by obtaining the approval from more than two thirds of voting rights held by shareholders attending the shareholders’ general meeting: (i) there are changes in, or adjustments to, the relevant laws and regulations; (ii) the risk control indicators (such as net capital) reach the warning levels; (iii) the Company’s operating conditions deteriorate; (iv) 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 more than two thirds of the voting rights of the shareholders attending the shareholders’ general meeting and online voting shall be available. The Company shall consider the views of public investors and timely respond to the questions concerned by public investors. The Company should disclose in annual reports the formulation, implementation of the dividend distribution policy and other relevant circumstances in accordance with the relevant provisions. If the cash dividend policy is to be adjusted or amended, whether the conditions and procedures for the adjustments or amendments are in compliance with the regulations and transparent should be disclosed in details.”

During the Reporting Period, the Company established and implemented the profit distribution policy especially the cash distribution policy 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 dividend 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. There were opportunities for minority shareholders to fully express their opinions and demands, therefore, the legal interest of minority shareholders was adequately protected. The amendment of the Company’s profit distribution policy is in compliance with the regulations and transparent, and meets the requirements of the Articles and Association and procedures of review.

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The implementation of the 2013 profit distribution plan of the Company was completed on 17 June 2014. On the basis of the total share capital of 9,584,721,180 shares of the Company, cash dividend of 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) 2014 Profit Distribution Proposal

As audited by the accounting firm, profit for the year 2014 attributable to owner of the parent company in the consolidated financial statements of the Company was RMB7,710,623,597.60 and the net profit of the parent company for 2014 was RMB5,678,170,143.72.

In accordance with the relevant requirements of the PRC Company Law, the PRC 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 2014, each amounting to RMB567,817,014.37, totaling RMB1,703,451,043.11 and profit available for cash distribution to investors for 2014 was RMB3,974,719,100.61. By adding the retained profits of RMB10,420,631,417.59 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 2013, the parent company's retained profits amounted to RMB13,245,183,976.60 at the end of the year. According to the relevant requirements, in the distributable profit, the fair value gain may not be used for cash distribution. After taking into account the Company's long-term development and investors' interests, the Company's profit distribution proposal for 2014 is:

1. Cash dividend of RMB2.5 per 10 shares (inclusive of tax) will be 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. According to the Proposal on Issue of New H Shares by the Company considered and passed at the first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015 held by the Company on 9 February 2015, the Company proposed to issue 1,916,978,820 new H Shares, and the new H Shares shall rank pari passu in all respects with the H Shares that are already in issue. If the newly issuance of H Shares complete in whole before the record date, the total cash dividends to be distributed would be RMB2,875,425,000.00, including RMB479,244,705.00 on the new H Shares, on the basis of a total share capital of 11,501,700,000 A Shares and H Shares in issue. The retained profits of the parent company of RMB10,369,758,976.60 following the cash dividend distribution will be carried forward to the next year. The specific overall amount of cash dividends under distribution and the retained profits to be carried forward to the next year will be calculated according to the actual number of shares of the Company in issue on the record date for the cash dividend distribution.

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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 2014 annual general meeting.

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 2014 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) (RMB)	Number of shares converted for every 10 shares (share)	Amount of cash dividends (inclusive of tax)	Net 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 net profit for the year attributable to owners of the Company
2014	Nil	2.5	Nil	2,875,425,000.00	7,710,623,597.60	37.29%
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	3,037,542,867.95	37.87%

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

In 2012, the net profit for the year attributable to owners of the Company before retrospective adjustment was RMB3,019,776,384.79 and the percentage of amount of cash dividends in net profit for the year attributable to owners of the Company before retrospective adjustment was 38.09%.

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- (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 FULFILLMENT OF SOCIAL RESPONSIBILITY

Please refer to “2014 Annual Enterprise Social Responsibility Report of Haitong Securities Co., Ltd.” disclosed at the website of the Shanghai Stock Exchange on 27 March 2015.

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.

(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 Hong Kong 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 from May 2009 to October 2014, Mr. Chen Bin, a non-executive Director of the Company, has been a non-executive director of Orient Securities Company Limited since October 2014, Mr. Xu Chao, a non-executive Director of the Company, has been a non-executive director of Orient Securities Company Limited since March 2011. Ms. Zhang Xinmei, a non-executive Director of the Company, has been a director of Shenyin & Wanguo Securities Co., Ltd. (currently known as Shenwan Hongyuan Group Co., Ltd.) since 2012. As Orient Securities Company Limited is engaged in, among others, securities brokerage, securities investment consultation, financial consultation service relating to securities trading and securities investment, proprietary trading, margin financing and securities lending, securities underwriting, securities investment fund agency, share options market making and etc, and Shenwan Hongyuan Group Co., Ltd. is engaged in investment management, industrial investment, equity investment and investment consultation, Orient Securities Company Limited and Shenwan Hongyuan Group Co., Ltd. compete or are 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.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

(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 Limited ("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 the 2014 annual report of Haitong International Securities Group.

UT Capital Group, a subsidiary of Haitong International Holdings, adopted a share option incentive scheme on 27 May 2014, which was valid for a period of five years. According to the scheme, the eligible participants include directors, senior management, key operational managerial personnel and key technical or business personnel of UT Capital Group and its subsidiaries as determined by the board of directors of UT Capital Group, the total number of which shall not exceed 50. No more than 97,321,500 share options shall be granted to the participants under the scheme. As at 31 December 2014, UT Capital Group did not grant any share options under the scheme. On 19 January 2015, the board of directors of Haitong UT Capital has resolved to offer to allocate share options to 28 qualified participants to subscribe for a total of up to 84,480,375 ordinary shares in the capital of the UT Capital under the Share Option Scheme, subject to the acceptance of such allocation by the Grantees.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

(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 the Company provide overseas services and expand its customers' source. In 2014, revenue attributable to the five largest clients of the Company accounted for 1.72% of the Group's total revenue and other income.

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

(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 (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.

SECTION IV REPORT OF THE BOARD OF THE DIRECTORS

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 responsible withholding parties 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 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 parties will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, over with-held 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 Transaction

For related party transactions as defined by the relevant accounting standards by the end of the reporting period, please refer to Note 65 of the Consolidated Financial Statements for details. The Company confirmed that such related party transaction did not constitute connected transaction under Chapter 14A of the Hong Kong Listing Rules. During the Reporting Period, the Company did not make any disclosure of any connected transaction according to the requirements of Chapter 14A of the Hong Kong Listing Rules.

(X) Share Award Scheme

Haitong International Securities Group adopted a share award scheme (“Award Scheme”) on 19 December 2014 and made amendments on 6 March 2015. This Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. For details, please refer to the 2014 annual report of Haitong International Securities Group.

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 BESI by Haitong International Holdings

The Resolution on the Acquisition of BESI through Haitong International Holdings Limited (wholly-owned subsidiary) by the Company was passed on the thirty-first meeting (extraordinary meeting) of the fifth session of the Board of the Company. On 8 December 2014 (after trading hours), Haitong International Holdings Limited (a wholly-owned subsidiary of the Company, "Haitong International Holdings") and Novo Banco, S.A. ("Novo Banco") entered into the sale and purchase agreement, on the terms and subject to the conditions of which Haitong International Holdings has agreed to acquire the target shares of BESI from Novo Banco at the purchase price of EUR379 million. Upon completion, BESI will become a direct subsidiary of Haitong International Holdings and an indirect subsidiary of the Company. The acquisition has not been completed during the year.

V. EQUITY INCENTIVES OF THE COMPANY AND ITS EFFECT

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

Haitong International Securities Group, and UT Capital Group, both subsidiaries of Haitong International Holdings, adopted a share option scheme (or share option incentive scheme) respectively, details of which are disclosed on (VI) Share Option Scheme under VI. Other Disclosure of Section IV. Directors' Report. These schemes play an important role in retaining and rewarding related talents of the Group.

VI. MATERIAL RELATED PARTY TRANSACTION

During the Reporting Period, other than Note 65 of the financial statements, the Group had no significant related party transactions and there was no transaction of non-operating credit or indebtedness with related parties.

SECTION V SIGNIFICANT EVENTS

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. Pursuant to the Resolution on the Provision of Guarantee for Facilities of the Subsidiaries passed on the thirty-first meeting (extraordinary meeting) of the fifth session of the Board of the Company, regarding to the acquisition of BESl through Haitong International Holdings Limited, a wholly-owned subsidiary, by the Company (“Transaction”), the Company agreed to provide guarantee for the facilities of BESl upon the completion of the Transaction, including:
 - (1) to agree that the Company or its subsidiaries would provide guarantee for the facilities of BESl, its subsidiaries or its SPVs (including but not limited to loans from Novo Banco or other parties, issuance of bonds and facilities in other forms) after the completion of Transaction, with balance of guaranteed amount not exceeding EUR800 million and guaranteed period not longer than 5 years.
 - (2) to authorize the management of the Company to sign documents relating to the guarantees and complete the procedures of review, approval and filing to the related regulatory institutions, and to fulfill the obligation of information disclosure in timely manner in accordance with the relevant laws and regulations upon the provision of letters of guarantee or issuance of guarantee documents to BESl, its subsidiaries or its SPVs by the Company or its subsidiaries.
2. The Proposal on Increase in Quota of External Guarantee was considered and passed at the thirty-second meeting of the fifth session of the Board. It was agreed that the Company provided joint and several guarantee for the offshore wholly-owned subsidiary(ies) of the Company for the issue of offshore debt financing instruments (the “Offshore Corporate Debt Financing Instruments”) on an one-off or multiple issuances or multi-tranche issuances basis, through public or non-public offerings, including without limitation US dollar, offshore Renminbi or other foreign currency denominated bonds, subordinated bonds, foreign currency notes (including without limitation commercial papers), as well as the establishment of a medium term note scheme, etc., and the aggregate size of the Offshore Corporate Debt Financing Instruments shall not exceed 50% of the net assets of the Company as at the end of the latest period.

(III) Other material contract

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

SECTION V SIGNIFICANT EVENTS

VIII. PERFORMANCE OF UNDERTAKINGS

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

IX. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

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 2014, 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 RMB2.40 million. The Company appointed BDO China as its internal control auditor, with auditing fees of RMB400,000. In addition, Deloitte & Touche LLP (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu CPA Ltd. (德勤華永會計師事務所) (Special General Partnership)) (“Deloitte & Touche”) was reappointed as the Company’s external auditor for 2014 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 RMB2.80 million. In addition, the two accounting firms provided audit service for subsidiaries of the Group, with total service fee of RMB4.91 million. Other professional services fees amounted to RMB2.82 million, among which, consultation fees for liquidity risk management amounted to RMB1.20 million, service fees for debt issuance amounted to RMB1.03 million and consultation fees for risk control for its subsidiaries amounted to RMB0.5 million.

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

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, and 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 2014 annual general meeting, and for the purpose of ascertaining the entitlement of the shareholders 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.

SECTION V SIGNIFICANT EVENTS

XIII. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

1. Establishment of a branch company in Free Trade Zone

In February 2014, the Company received Approval Reply for Establishment of One Branch by Haitong Securities Co., Ltd. (Hu Zheng Jian Xu Ke [2014] No. 15) (《關於核准海通證券股份有限公司設立1家分公司的批覆》(滬證監許可[2014]15號)) from Shanghai Branch of the CSRC to permit the Company to set up one branch company in the China (Shanghai) Free Trade Zone with the following scope of business: securities brokerage; securities investment consulting; securities investment fund agency; provision of intermediary services for futures companies; margin financing and securities lending; financial products agency; financial advisory service related to securities trading and investment activities; securities underwriting and sponsorship (project proposal, project information passing and recommendation, customer relationship maintenance and other supporting work only).

The branch company in Shanghai Free Trade Pilot Zone completed its business registration and collected the business license on 19 March 2014, the organization code certificate on 8 April 2014, the tax registration certificate on 15 April 2014 and the securities business license on 25 April 2014. It formally commenced operation in July 2014.

2. Change of joint company secretary

On 25 July 2014, the Company held the twenty-seventh meeting of the fifth session of the Board through voting by correspondence to consider and pass the Resolution on Change of Joint Company Secretary, according to which Ms. Mok Mingwai ceased to act as a joint company secretary of the Company since 27 July 2014 and meanwhile, the Board appointed Ms. Lam Wai Yee Sophie as the joint company secretary of the Company.

3. Establishment of Shanghai Merge and Equity Investment Fund

Haitong Capital Investment Co., Ltd., a wholly-owned subsidiary of the Company, jointly established Shanghai Merge and Equity Investment Fund Partnership (Limited Partnership) (上海併購股權投資基金合夥企業(有限合夥)) with Shanghai SIIC Asset Operation Co., Ltd. (上海上實資產經營有限公司), Shanghai Yiliu Energy (Group) Limited (上海益流能源(集團)有限公司) and Orient International Enterprise Ltd. (東方國際創業股份有限公司) etc. The fund obtained business license on 5 August 2014 and its business scope covers equity management, asset management, investment management and financial consultancy (bookkeeping agency business is not allowed).

Haitong Merge and Asset Management (Shanghai) Limited (海通併購資本管理(上海)有限公司) acts as the general partner of Shanghai Merge and Equity Investment Fund Partnership (Limited Partnership) (上海併購股權投資基金合夥企業(有限合夥)). Haitong Merge and Asset Management (Shanghai) Limited (海通併購資本管理(上海)有限公司) is a holding subsidiary of Haitong Capital Investment Co., Ltd. with a registered capital of RMB100 million.

SECTION V SIGNIFICANT EVENTS

Up to the end of 2014, Shanghai Merge and Equity Investment Fund Partnership (Limited Partnership) (上海併購股權投資基金合夥企業(有限合夥)) and Haitong Merge and Asset Management (Shanghai) limited (海通併購資本管理(上海)有限公司) have been established and officially started operation.

4. Completion of rights issue and capital increase by Haitong International Securities

Haitong International Securities conducted rights issue on the basis of two shares for one at the share price of HK\$3.80 each in late April 2014. Total amount of rights issue shares which had been effectively accepted and applied is equivalent to 1.06 times of 697,979,812 rights issue shares available for subscription under the rights issue. The process of rights issue has been completed on 3 June 2014 which succeeded in the capital expansion of Haitong International Securities.

5. Issuance of convertible bonds by Haitong International Securities

In the first half of November 2014, Haitong International Securities has completed the issuance of 1.25% convertible bonds in nominal amount of HK\$1,164 million, which are due in 2019 and the net proceeds amounted approximately HK\$1.082 billion.

6. Acquisition of JapanInvest by Haitong International Securities through its wholly-owned subsidiary

Haitong International (BVI) Limited, a wholly-owned subsidiary of Haitong International Securities, signed an agreement with JapanInvest in the second half of November 2014, to acquire JapanInvest. The acquisition has not yet completed during the year.

7. Completion of name change and capital increase by Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司)

On 17 July 2014, Proposal on Name Change of UT Capital Group Co., Ltd. was considered and approved at the seventh meeting of the third session of the Board of UT Capital Group Co., Ltd., a wholly-owned subsidiary of the Company. UT Capital Group Co., Ltd. changed its name to Haitong UT Capital Group Co., Ltd. (海通恒信金融集團有限公司) on 13 August 2014. On 17 July 2014, Proposal on Name Change of UniTrust Financial Leasing Corporation (恒信金融租賃有限公司) was considered and approved at the ninth meeting of the third session of the Board of UniTrust Financial Leasing Corporation (恒信金融租賃有限公司), a wholly-owned subsidiary of UT Capital Group. UniTrust Financial Leasing Corporation (恒信金融租賃有限公司) changed its name to Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司) on 24 October 2014. Haitong International Holdings Limited, a wholly-owned subsidiary of the Company, made a capital contribution of RMB2 billion to Haitong UT Capital Group Co., Ltd. in October 2014, to subscribe 714,894,989 shares of Haitong UT Capital Group Co., Ltd. In return, Haitong UT Capital Group made a capital contribution of RMB2 billion to Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司) in November 2014. Haitong UT Capital Group Co., Ltd. made a capital contribution of RMB210 million to established Haitong UniTrust Finance & Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司) (with a registered capital of RMB600 million) together with Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司) in Shanghai Free Trade Zone.

SECTION V SIGNIFICANT EVENTS

8. Subscription of convertible bonds of Haitong International Holdings Limited

According to the Letter of Approval on Subscription by Haitong Securities Co., Ltd. of Convertible Bonds of Haitong International Holdings Limited (Ji Gou Bu Bu Han [2012] No. 592), the Company subscribed, in April 2013 and June 2013 respectively, convertible bonds totalling HK\$4.85 billion from Haitong International Holdings Limited, its wholly-owned subsidiary in Hong Kong. To meet the requirements for overseas business development, the Company accomplished step-by-step capital contribution to Haitong International Holdings in the form of debt for equity swap, with the first phase debt for equity swap of HK\$2 billion completed on 4 December 2014. Upon such capital contribution, the registered capital of Haitong International Holdings amounted to HK\$6 billion.

9. Newly issuance of H Shares by the Company

The Proposal on Issue of New H Shares by the Company was considered and passed at the thirty-second meeting of the fifth session of the Board held by the Company on 19 December 2014, and also at the first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015 held by the Company on 9 February 2015. The new H Shares are to be issued to the placees by way of private placement pursuant to the subscription agreements, subject to the approval of relevant regulatory authorities (including but not limited to the CSRC) and the approval for listing of and permission to deal in the new H Shares from the Hong Kong Stock Exchange. On 19 December 2014 (after trading hours), the Company entered into a subscription agreement with each of the placees, pursuant to which the Company has conditionally agreed to allot and issue and the placees have respectively conditionally agreed to subscribe for a total of 1,916,978,820 new H Shares (with an aggregate nominal amount of RMB1,916,978,820) at the subscription price of HK\$15.62 per each new H Share. So far, this matter is still in progress.

10. There has been no other significant event or subsequent events which should be disclosed by the Company during the Reporting Period.

SECTION VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. Table of changes in shares during the Reporting Period

Unit: share

	Before the change		Changes (+, -)				After the change	
	Number of shares	Percentage (%)	New issuance (H Shares)	State-owned shares transfer	Other	Sub-total	Number of shares	Percentage (%)
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 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**

1. 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.

SECTION VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

2. The sixteenth meeting of the fifth session of the Board was convened on 26 March 2013. In this meeting, Proposal on the Issuance of Short-term Financing Bills of Securities Companies and Proposal on General Mandate of Issuance of Short-term Financing Bills of Securities Companies were considered and approved. The proposals were considered and approved on 2012 annual general meeting of the Company held on 27 May 2013, with a validity period of 40 months. The Chairman and the General Manager were authorized collectively or individually to handle matters related to the issuance of short-term financing bills.

On 18 June 2013, the Company received Supervision Letter regarding the Application of Issuing Short-term Financing Bills by Haitong Securities Co., Ltd. (Ji Gou Bu Han [2013] No. 407) from CSRC. The Department of Fund and Intermediary Supervision of CSRC had no objection to the Company's application of issuing short-term financing bills. On 16 September 2013, the Company received Notice of Issuing Short-term Financing Bills by Haitong Securities Co., Ltd. (Yin Fa [2013] No. 220) issued by the People's Bank of China, which approved the maximum short-term payable financing bills of RMB14.9 billion. The maximum payable amounts had a validity period of one year. The Company might issue short-term financing bills at its own discretion within the validity period. During the Reporting Period, the Company has completed four issuance of short-term financing bills with a total amount of RMB10.8 billion.

3. The sixteenth meeting of the fifth session of the Board was convened on 26 March 2013. In this meeting, Proposal on the Issuance of Corporate Bonds of the Company and Proposal on General Mandate of Issuance of Corporate Bonds of the Company were considered and approved. The proposals were considered and approved on 2012 annual general meeting of the Company held on 27 May 2013 and the Chairman and the General Manager were authorized collectively or individually to handle matters related to the issuance of corporate bonds.

As approved by the document "Zheng Jian Xu Ke [2013] No. 1220" signed and issued by CSRC on 25 September 2013, the Company was authorized to issue corporate bonds with nominal value of up to RMB23 billion to the public. The bonds were issued in tranches by the Company and the amounts, timing and terms of issuance depended on factors such as the market conditions. The first tranche of bonds issuance with an amount of RMB12 billion was completed on 27 November 2013 in three tranches with terms of three-year, five-year and ten-year and each tranche in the amount of RMB7.26 billion, RMB2.35 billion and RMB2.39 billion respectively. The second tranche of bonds issuance with an amount of RMB11 billion was completed on 16 July 2014 in three tranches with terms of three-year, five-year and ten-year and each tranche in the amount of RMB5.65 billion, RMB4.55 billion and RMB800 million respectively.

SECTION VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

4. The sixteenth meeting of the fifth session of the Board was convened on 26 March 2013. In this meeting, Proposal on General Mandate of Issuance of Domestic Debt Financing Instruments of the Company was considered and approved. The proposal was considered and approved on 2012 annual general meeting of the Company held on 27 May 2013. It was agreed that the Company to issue publicly or non publicly domestic debt financing instruments other than short-term financing bills of securities companies and corporate bonds in one time or more times or in trenches. The Chairman and the General Manager were authorized collectively or individually to handle matters related to the issuance of other domestic debt financing instruments.

In the twenty-ninth meeting (extraordinary meeting) of the fifth session of the Board held on 28 October 2014, Proposal on Issuance of Short-term Corporate Bonds of Securities Companies was passed and the Chairman and the General Manager were authorized to handle collectively or individually, on behalf of the Company, matters related to the issuance of short-term corporate bonds of securities companies, according to the resolutions of the general meeting and the specific mandate granted by the Board.

SECTION VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

In accordance with Notice of Matters Relating to Pilot Issuing Short-term Corporate Bonds of Securities Companies (Zheng Quan Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1526), the Company was allowed to have pilot issuing of short-term corporate bonds of securities companies. According to Notice of Filing of Accepting Short-term Corporate Bonds of Securities Companies (Shang Zheng Duan Zhai [2014] No. 4), which was issued on 20 November 2014 with a validity period of one year, received by the Company from the Shanghai Stock Exchange, the Company has filed to the Shanghai Stock Exchange its issuance of short-term corporate bonds of securities companies with an amount of RMB20 billion. During the Reporting Period, the Company has completed two issuance of corporate bonds with a total amount of RMB7.5 billion.

Unit: ten thousand Currency: RMB

Type of stocks and derivative securities	Date of issuance	Issue price (or rate)	Issue size	Date of listing	Amount approved for listing and trading	Date of completion of conversion
Ordinary shares						
H Shares	27 April 2012	HK\$10.60	122,940	27 April 2012	122,940	
H Shares (over-allotment)	19 May 2012	HK\$10.60	12,750	22 May 2012	12,750	
Debt financing						
Short-term financing bills	17 October 2013	5.10%	RMB3 billion	21 October 2013	RMB3 billion	17 January 2014
Short-term financing bills	18 February 2014	5.35%	RMB3 billion	20 February 2014	RMB3 billion	21 May 2014
Short-term financing bills	15 April 2014	4.77%	RMB3 billion	17 April 2014	RMB3 billion	15 July 2014
Short-term financing bills	20 May 2014	4.70%	RMB2.8 billion	22 May 2014	RMB2.8 billion	19 August 2014
Short-term financing bills	10 September 2014	4.58%	RMB2 billion	12 September 2014	RMB2 billion	10 December 2014
Corporate bonds	25 November 2013	6.05%	RMB7.26 billion	16 December 2013	RMB7.26 billion	25 November 2016
Corporate bonds	25 November 2013	6.15%	RMB2.35 billion	16 December 2013	RMB2.35 billion	25 November 2018
Corporate bonds	25 November 2013	6.18%	RMB2.39 billion	16 December 2013	RMB2.39 billion	25 November 2023
Corporate bonds	14 July 2014	5.25%	RMB5.65 billion	13 August 2014	RMB5.65 billion	14 July 2017
Corporate bonds	14 July 2014	5.45%	RMB4.55 billion	13 August 2014	RMB4.55 billion	14 July 2019
Corporate bonds	14 July 2014	5.85%	RMB800 million	13 August 2014	RMB800 million	14 July 2024
Short-term corporate bonds	2 December 2014	4.65%	RMB5 billion	19 December 2014	RMB5 billion	2 December 2015
Short-term corporate bonds	22 December 2014	5.85%	RMB2.5 billion	10 March 2015	RMB2.5 billion	22 March 2015

SECTION VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

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

During the Reporting Period, the number of 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.

III. SHAREHOLDERS AND THE DE FACTO CONTROLLERS

Number of shareholders and their shareholdings

1. As at the end of the Reporting Period, the total number of shareholders of the Company was 352,069, among which 351,916 were holders of A Shares and 153 were registered as holders of H Shares. The total number of shareholders at the end of the fifth trading day preceding disclosure of this Report was 375,187, of which 375,041 were A Share holders and 146 were H Share registered holders.

SECTION VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

2. As at 31 December 2014, 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: 352,069

Total number of shareholders at the end of the fifth trading day preceding the date of this Report: 375,187

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 ("HKSCC Nominees Limited")	Foreign legal person	15.57	1,492,177,100	21,500	0	nil
Bright Food (Group) Co., Ltd.	State-owned legal person	4.28	410,650,000	-11,530,000	0	210,000,000 (pledged)
Shanghai Haiyan Investment Management Company Limited	State-owned legal person	4.18	400,709,623	0	0	nil
Shenergy Group Company Limited	State-owned legal person	3.36	322,162,086	0	0	nil
Shanghai Electric (Group) Corporation	State-owned shares	2.91	278,967,457	-97,497,801	0	10,000,000 (pledged)
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
Wenhui-Xinmin United Press Group	State-owned legal person	1.71	164,329,853	-16,500,000	0	nil
Industrial and Commercial Bank of China Limited – SWS MU SW Securities Industry Index Structured Securities Investment Fund (申萬菱信申銀萬國證券行業指數分級證券投資基金)	Domestic non-state-owned legal person	1.60	152,947,065	-6,800,000	0	nil
SIIC Shanghai (Holding) Co., Ltd.	State-owned legal person	1.44	137,840,039	0	0	nil

SECTION VI CHANGES IN SHARE 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 (share)	Type of shares (A, B, H or others)
HKSCC Nominees Limited	1,492,177,100	H Shares
Bright Food (Group) Co., Ltd.	410,650,000	A Shares
Shanghai Haiyan Investment Management Company Limited	400,709,623	A Shares
Shenergy Group Company Limited	322,162,086	A Shares
Shanghai Electric (Group) Corporation	278,967,457	A Shares
Shanghai Jiushi Corporation	235,247,280	A Shares
Shanghai Friendship Group Incorporated Company	214,471,652	A Shares
Wenhui-Xinmin United Press Group	164,329,853	A Shares
Industrial and Commercial Bank of China Limited – SWS MU SW Securities Industry Index Structured Securities Investment Fund (申萬菱信申銀萬國證券行業指數分級 證券投資基金)	152,947,065	A Shares
SIIC Shanghai (Holding) Co., Ltd.	137,840,039	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 shareholders of A Shares 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 shareholders of H Shares who did not register the H Shares under their names.

SECTION VI CHANGES IN SHARE 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 2014, so far as the Directors, having made all reasonable enquiries, are aware, the following parties (other than the Directors, Supervisors and chief executive 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 (share)	Percentage of total issued		Long position (Note 5)/short position (Note 6)/lending pool
					Percentage of total issued shares of the Company (%)	Percentage of A Shares/H Shares of the Company (%)	
1.	Bright Food (Group) Co., Ltd.	A Share	Beneficial owners (Note 1)	410,650,000	4.28	5.07	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.	NSSF	H Share	Beneficial owners	74,196,667	0.77	4.97	Long position
4.	JP Morgan Chase & Co.	H Share	Beneficial owners	26,969,393	0.28	1.81	Long position
			Beneficial owners	9,524,912	0.10	0.64	Short position
			Investment manager	36,409,200	0.38	2.44	Long position
			Custodian-corporation/ approved lending agent	38,446,951	0.40	2.58	Lending pool
5.	Capital Research and Management Company	H Share	Investment manager	75,000,000	0.78	5.02	Long position
6.	Citigroup Inc.	H Share	Other	47,288,130	0.49	3.17	Long position
		H Share	Other	48,173,197	0.50	3.23	Short position
		H Share	Other	43,098,273	0.45	2.89	Lending pool
7.	BlackRock, Inc.	H Share	Interests in controlled corporation	147,861,642	1.54	9.91	Long position
		H Share	Interests in controlled corporation	794,000	0.01	0.05	Short position

SECTION VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

No.	Name of substantial shareholders	Type of share	Nature of interests	Number of shares held (share)	Percentage of	Percentage of	Long position (Note 5)/short position (Note 6)/ interest in lending pool
					total issued shares of the Company (%)	total issued A Shares/ H Shares of the Company (%)	
8.	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
9.	GIC Private Limited (formerly know as "Government of Singapore Investment Corporation Pte Ltd")	H Share	Investment manager	87,562,000	0.91	5.87	Long position
10.	UBS Group AG	H Share	Persons having a security interest in shares	25,090,000	0.26	1.68	Long position
		H Share	Interests in controlled corporation	51,624,353	0.54	3.46	Long position
		H Share	Interests in controlled corporation	27,233,817	0.28	1.82	Short position
11.	UBS AG	H Share	Beneficial owners	44,141,420	0.46	2.96	Long position
		H Share	Beneficial owners	25,333,817	0.26	1.70	Short position
		H Share	Persons having a security interest in shares	25,090,000	0.26	1.68	Long position
		H Share	Interests in controlled corporation	7,482,933	0.08	0.50	Long position
		H Share	Interests in controlled corporation	1,900,000	0.02	0.13	Short position
12.	Dawn State Limited	H Share	Beneficial owners (Note 2)	569,427,620	5.94	38.15	Long position
13.	Gatherrise Limited	H Share	Interests in controlled corporation (Note 2)	569,427,620	5.94	38.15	Long position
14.	State Development & Investment Corporation	H Share	Interests in controlled corporation (Note 2)	569,427,620	5.94	38.15	Long position
15.	SDIC Capital Holdings Co., Ltd.	H Share	Interests in controlled corporation (Note 2)	569,427,620	5.94	38.15	Long position

SECTION VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

No.	Name of substantial shareholders	Type of share	Nature of interests	Number of shares held (share)	Percentage of total issued shares of the Company (%)	Percentage of total issued	Long position (Note 5)/short position (Note 6)/ interest in lending pool
						A Shares/ H Shares of the Company (%)	
16.	Haixia Capital Management Co., Ltd.	H Share	Interests in controlled corporation (Note 2)	569,427,620	5.94	38.15	Long position
17.	Haixia Industry Investment Fund (Fujian) Limited Partnership	H Share	Interests in controlled corporation (Note 2)	569,427,620	5.94	38.15	Long position
18.	New China Life Insurance Company Ltd.	H Share	Interests in controlled corporation	99,231,600	1.04	6.65	Long position
19.	Maunakai Capital Partners (Hong Kong) Limited	H Share	Investment manager	496,478,800	5.18	33.26	Long position
20.	Marshall Wace Managed Accounts PLC	H Share	Beneficiary of trust (Note 3)	114,907,400	1.20	7.70	Long position
21.	Marshall Wace Ireland Limited	H Share	Investment manager (Note 3)	114,907,400	1.20	7.70	Long position
22.	Marshall Wace Funds PLC	H Share	Beneficiary of trust (Note 3)	114,907,400	1.20	7.70	Long position
23.	Marshall Wace Funds LP	H Share	Beneficiary of trust (Note 3)	114,907,400	1.20	7.70	Long position
24.	Marshall Wace LLP	H Share	Investment manager (Note 4)	131,482,000	1.48	8.81	Long position
25.	Marshall Wace Asia Limited	H Share	Investment manager (Note 4)	131,482,000	1.48	8.81	Long position
26.	Insight Capital Management (Hong Kong) Limited	H Share	Investment manager	223,415,200	2.33	14.97	Long position
27.	BNY Mellon Trust Company (Ireland) Limited	H Share	Trustee	115,407,664	1.20	7.73	Long position
		H Share	Custodian-corporation/ approved lending agent	2,240,885	0.02	0.15	Long position

SECTION VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

No.	Name of substantial shareholders	Type of share	Nature of interests	Number of shares held (share)	Percentage of total issued shares of the Company (%)	Percentage of total issued	Long position (Note 5)/short position (Note 6)/ interest in lending pool
						A Shares/ H Shares of the Company (%)	
28.	Amtl Special Holdings Limited	H Share	Interests in controlled corporation	148,943,600	1.55	9.98	Long position
29.	HSBC Holdings plc	H Share	Interests in controlled corporation	76,980,689	0.80	5.16	Long position
		H Share	Interests in controlled corporation	75,443,466	5.10	5.06	Short position

Note 1: According to the information disclosed on the website of the Hong Kong Stock Exchange (www.hkexnews.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 569,427,620 shares represent the same block of shares;

Note 3: Such 114,907,400 shares represent the same block of shares;

Note 4: Such 131,482,000 shares represent the same block of shares;

Note 5: A shareholder has a "long position" if such shareholder has an interest in shares, including interests through holding, selling 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 loss if the price of the underlying shares increases; and

Note 6: A shareholder has a "short position" if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, sells or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to subscribe 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 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 2014 required to be recorded in the register pursuant to Section 336 of the SFO.

SECTION VI CHANGES IN SHARE AND PARTICULARS ABOUT SHAREHOLDERS

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 2014, 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, other than trading of the securities by the Company or its subsidiaries on behalf of the clients.

SECTION VII PREFERRED SHARES

During the Reporting Period, the Company did not have anything to report regarding preferred shares.



SECTION VIII 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 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	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)
Directors											
Wang Kaiguo (re-elected)	Chairman, secretary of CPC Party Committee	Male	56	30 December 2014	30 December 2017	0	0	0		256.16	0
Qu Qiuping (re-elected)	Executive Director, General Manager, deputy secretary of CPC Party Committee	Male	53	30 December 2014	30 December 2017	0	0	0		168.89 (April to December)	0
Zhuang Guowei (re-elected)	Non-executive Director	Male	60	30 December 2014	30 December 2017	0	0	0		0	77
Xu Chao (re-elected)	Non-executive Director	Male	59	30 December 2014	30 December 2017	0	0	0		0	65
Wang Hongxiang (re-elected)	Non-executive Director	Male	58	30 December 2014	30 December 2017	0	0	0		0	To be approved and granted by Shenergy Group Company Limited
He Jianyong (re-elected)	Non-executive Director	Male	52	30 December 2014	30 December 2017	0	0	0		0	59
Liu Cheeming (re-elected)	Independent non-executive Director	Male	63	30 December 2014	30 December 2017	0	0	0		12	0
Xiao Suining (re-elected)	Independent non-executive Director	Male	66	30 December 2014	30 December 2017	0	0	0		12	0
Chen Bin (the sixth session of the Board)	Non-executive Director	Male	33	30 December 2014	30 December 2017	0	0	0		0	0
Zhang Xinmei (the sixth session of the Board)	Non-executive Director	Female	55	30 December 2014	30 December 2017	0	0	0		0	To be approved and granted by Shanghai SASAC
Li Guangrong (the sixth session of the Board)	Independent non-executive Director	Male	51	30 December 2014	30 December 2017	0	0	0		0	0
Lyu Changjiang (the sixth session of the Board)	Independent non-executive Director	Male	49	30 December 2014	30 December 2017	0	0	0		0	0

SECTION VIII 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 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	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)
Feng Lun (the sixth session of the Board)	Independent non-executive Director	Male	55	30 December 2014	30 December 2017	0	0	0		0	0
Li Mingshan (resigned)	Executive Director, General Manager	Male	62	16 May 2011	28 March 2014	0	0	0		88.87 (January to April)	0
Zhou Donghui (the fifth session of the Board)	Non-executive Director	Male	45	16 May 2011	30 December 2014	0	0	0		0	0
Zhang Jianwei (the fifth session of the Board)	Non-executive Director	Male	60	16 May 2011	30 December 2014	0	0	0		0	To be approved and granted by Shanghai SASAC
Feng Huang (the fifth session of the Board)	Non-executive Director	Male	43	16 May 2011	30 December 2014	0	0	0		0	0
Li Gewei (the fifth session of the Board)	Non-executive Director	Male	47	16 May 2011	30 December 2014	0	0	0		0	0
Xia Bin (the fifth session of the Board)	Independent non-executive Director	Male	63	16 May 2011	30 December 2014	0	0	0		12	0
Chen Qiwei (the fifth session of the Board)	Independent non-executive Director	Male	62	16 May 2011	30 December 2014	0	0	0		12	0
Zhang Huiquan (the fifth session of the Board)	Independent non-executive Director	Male	47	16 May 2011	30 December 2014	0	0	0		12	0
Zhang Ming (the fifth session of the Board)	Independent non-executive Director	Male	58	16 May 2011	30 December 2014	0	0	0		12	0
Dai Genyou (the fifth session of the Board)	Independent non-executive Director	Male	65	16 May 2011	30 December 2014	0	0	0		12	0

SECTION VIII 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 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	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)
Supervisors											
Yang Qingzhong (re-elected)	Vice Chairman of the Supervisory Committee, secretary of the discipline inspection commission, deputy secretary of CPC Party Committee	Male	58	30 December 2014	30 December 2017	0	0	0		201.63	0
Li Lin (re-elected)	Supervisor	Male	52	30 December 2014	30 December 2017	0	0	0		0	51.59
Dong Xiaochun (re-elected)	Supervisor	Male	50	30 December 2014	30 December 2017	0	0	0		0	Please refer to 2014 annual report of Bailian Group (stock code: 600827)
Xu Qi (re-elected)	Supervisor	Male	52	30 December 2014	30 December 2017	0	0	0		0	105.09
Hu Jingwu (re-elected)	Supervisor	Male	59	30 December 2014	30 December 2017	0	0	0		0	120
Qiu Xiaping (re-elected)	Employee Supervisor	Female	54	30 December 2014	30 December 2017	0	0	0		127.72	0
Chen Huifeng (the sixth session of the Supervisory Committee)	Supervisor	Male	48	30 December 2014	30 December 2017	0	0	0		0	37.81
Cheng Feng (the sixth session of the Supervisory Committee)	Supervisor	Male	43	30 December 2014	30 December 2017	0	0	0		0	0
Feng Huang (the sixth session of the Supervisory Committee)	Supervisor	Male	43	30 December 2014	30 December 2017	0	0	0		0	0
Wang Meijuan (the sixth session of the Supervisory Committee)	Employee Supervisor	Female	50	30 December 2014	30 December 2017	0	0	0		127.38	0
Hu Hairong (the sixth session of the Supervisory Committee)	Employee Supervisor	Female	43	30 December 2014	30 December 2017	0	0	0		126.51	0

SECTION VIII 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 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	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)
Wang Yimin (the fifth session of the Supervisory Committee)	Employee Supervisor	Male	63	27 April 2011	30 December 2014	0	0	0		0	0
Du Hongbo (the fifth session of the Supervisory Committee)	Employee Supervisor	Male	51	27 April 2011	30 December 2014	0	0	0		127.19	0
Wu Zhilin (the fifth session of the Supervisory Committee)	Supervisor	Male	62	16 May 2011	30 December 2014	0	0	0		0	0
Jin Yanping (the fifth session of the Supervisory Committee)	Supervisor	Female	59	16 May 2011	30 December 2014	0	0	0		0	18.99
Xing Jianhua (the fifth session of the Supervisory Committee)	Supervisor	Male	55	16 May 2011	30 December 2014	0	0	0		0	39.7
Senior management											
Ji Yuquang	Deputy General Manager	Male	57	30 December 2014	30 December 2017	0	0	0		201.32	0
Ren Peng	Deputy General Manager	Male	52	30 December 2014	30 December 2017	0	0	0		201.63	0
Li Xunlei	Deputy General Manager	Male	51	30 December 2014	30 December 2017	0	0	0		202.83	0
Hiroki Miyazato	Deputy General Manager	Male	49	30 December 2014	30 December 2017	0	0	0		211.46	0
Pei Changjiang	Deputy General Manager	Male	49	30 December 2014	30 December 2017	0	0	0		200.88	0
Wang Jianye	Chief Risk Control Executive and General Compliance Officer	Male	54	30 December 2014	30 December 2017	0	0	0		185.81	0
Li Chuqian	Chief Financial Officer	Male	57	30 December 2014	30 December 2017	0	0	0		185.81	0

SECTION VIII 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 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	held at the end of the year	Changes in the number of shares during the year			
Jin Xiaobin	Secretary to the Board	Male	60	30 December 2014	30 December 2017	0	0	0		185.81	0
Huang Zhenghong	Secretary to the Board	Male	39	12 March 2015	30 December 2017	0	0	0		126.11	0
Li Jianguo	Assistant to General Manager	Male	51	30 December 2014	30 December 2017	0	0	0		HK\$502.5	0
Chen Chungqian	Assistant to General Manager	Male	51	30 December 2014	30 December 2017	0	0	0		164.69	0
Zhang Xiangyang	Assistant to General Manager	Male	49	30 December 2014	30 December 2017	0	0	0		244.86	0
Lin Yong	Assistant to General Manager	Male	45	30 December 2014	30 December 2017	0	0	0		HK\$371.7	0
Wu Bin (resigned)	Deputy General Manager	Male	41	14 March 2012	4 June 2014	0	0	0		105.47	0

Notes:

- The Company did not implement any equity incentive scheme during the Reporting Period. None of the Directors, Supervisors and senior management of the Company held any shares of the Company.
- 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.
- On 4 June 2014, the Company issued an Announcement on Mr. Wu Bin's Resignation as Deputy General Manager of the Company. Mr. Wu Bin has resigned as the Deputy General Manager of the Company due to the change in work arrangements.
- On 26 August 2014, the Proposal on Election of New Session of the Board and the Proposal on Election of New Session of the Supervisory Committee were considered and passed at the twenty-eighth meeting of the fifth session of the Board and the fifteenth meeting of the fifth session of the Supervisory Committee, respectively. The proposals above were considered and passed at the 2014 first extraordinary general meeting of the Company convened on 30 December 2014 and election of new sessions of the Board and the Supervisory Committee was completed.
- Mr. Huang Zhenghong's job qualification took effect from 12 March 2015 and his remuneration received from the Company during the Reporting Period was not included in the total remuneration actually received from the Company by all Directors, Supervisors and senior management as at the end of the Reporting Period.
- The remunerations of Mr. Zhang Xiangyang was paid by Haitong Capital Investment Co., Ltd.
- The remunerations of Mr. Li Jianguo and Mr. Lin Yong were paid by Haitong International Holdings Limited and Haitong International Securities Group Limited.

SECTION VIII 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
Positions of current Directors:			
Zhuang Guowei	Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司)	Vice President	2006 to date
Chen Bin	Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司)	Assistant to General Manager	2014 to date
Xu Chao	Shanghai Electric (Group) Corporation (上海電氣(集團)總公司)	Deputy Chief Economist and Head of Investment Department	2013 to date
Wang Hongxiang	Shenergy Group Company Limited (申能(集團)有限公司)	Deputy Chief Accountant	1998 to date
Zhang Xinmei	Shanghai Jiushi Corporation Co., Ltd. (上海久事公司)	Deputy General Manager	2014 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
Positions of resigned Directors:			
Zhang Jianwei	Shanghai Jiushi Corporation Co., Ltd. (上海久事公司)	Deputy General Manager	2002 to 2014
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
Positions of current Supervisors:			
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) (now renamed as Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司)	Chief Financial Officer, secretary of the board	2011 to date
Xu Qi	Shanghai Oriental Pearl (Group) Co., Ltd. (上海東方明珠(集團)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
Positions of resigned Supervisors:			
Xing Jianhua	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	Chief Investment Officer	2013 to date

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

(II) Positions in other entities

Name	Name of entities	Positions	Tenure
Positions of current Directors:			
Zhuang Guowei	NGS Real Estate (Group) Co., Ltd. (農工商房地產(集團)股份有限公司)	Chairman of the Supervisory Committee	2013 to date
	Shanghai Tangjiu (Group) Co., Ltd. (上海市糖業煙酒(集團)有限公司)	Chairman of the Supervisory Committee	2013 to date
	Bright Dairy & Food Co., Ltd. (光明乳業股份有限公司)	Chairman	2010 to date
Chen Bin	Shanghai Tobacco Group Co., Ltd. (上海煙草集團有限責任公司)	Assistant to Head of Investment Management Department	2014 to date
	Orient Securities Company Limited (東方證券股份有限公司)	Non-executive director	2014 to date
Xu Chao	Orient Securities Company Limited (東方證券股份有限公司)	Non-executive Director	2011 to date
	Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司)	Vice Chairman	2011 to date
	Shanghai Electrical Industrial Investment Co., Ltd. (上海電氣實業公司)	Executive Director, Legal Representative, General Manager	2010 to date
Zhang Xinmei	Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司, now known as Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司))	Director	2012 to date

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

Name	Name of entities	Positions	Tenure
Positions of current independent non-executive Directors:			
Liu Cheeming	Platinum Holdings Limited (百德能控股有限公司)	Managing Director	1996 to date
	Starhub Ltd. (星和有限公司)	Independent Non-executive Director	2004 to date
	OUE Hospitality Trust Management Pte. Ltd Founder BEA Trust Co., Ltd. (方正東亞信託有限責任公司)	Non-executive Director Independent Non-executive Director	2013 to date 2013 to date
Xiao Suining	Beijing SPC Environment Protection Tech Co., Ltd. (北京國電清新環保技術股份有限公司)	Independent Director	2013 to date
	Zhongrun Resources Investment Incorporated Company (中潤資源投資股份有限公司)	Independent Director	2013 to date
Li Guangrong	Tehua Investment Holding Co., Ltd. (特華投資控股有限公司)	Chairman	1998 to date
	Sinosafe General Insurance Co., Ltd. (華安財產保險股份有限公司)	Chairman	2004 to date
	China Minsheng Investment Company Limited (中國民生投資股份有限公司)	Executive Director, Chairman of the Advisory Committee to the Board	2014 to date
Lyu Changjiang	School of Management of Fudan University (復旦大學管理學院)	Head of the Department of Accounting, Associate Dean, Professor, Doctoral Tutor	2006 to date
	Shanghai Jinfeng Investment Co., Ltd. (上海金豐投資股份有限公司)	Independent Director	2010 to date
	Nantong Jiangshan Agrochemical & Chemical Co. LTD. (南通江山農藥化工股份有限公司)	Independent Director	2010 to date
Feng Lun	China Tianying Inc. (中國天楹股份有限公司)	Independent Director	2010 to date
	Vantone Holdings Co., Ltd. (萬通投資控股股份有限公司)	Chairman	1993 to date

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

Name	Name of entities	Positions	Tenure
Positions of current Supervisors:			
Li Lin	Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司)	Chairman	2014 to date
	上海大都市資產經營管理有限公司	Executive Director	2014 to date
	NGS Real Estate (Group) Co., Ltd. (農工商房地產(集團)股份有限公司)	Director	2014 to date
	Bright Food International Limited (光明食品國際有限公司)	Director	2011 to date
	Weetabix Food Company	Director	2012 to date
	Sailing Capital Management Co., Ltd. (賽領資本管理有限公司), 賽領國際投資基金(上海)有限公司	Director	2014 to date
	Chen Huifeng	Shanghai EastBest International (Group) Co., Ltd. (上海東浩蘭生國際服務貿易(集團)有限公司)	General Manager of Investment and Development Department
Shanghai CP Guojian Pharma Co., Ltd. (上海中信國健藥業股份有限公司)		Director	2014 to date
Cheng Feng	Shanghai United Media Group (上海報業集團)	Member of the CPC Party Committee, Deputy General Manger	2013 to date
	Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司)	Chairman, General Manager	2014 to date
	Shanghai Shendi Asset Management Co., Ltd. (上海申地資產管理有限公司)	Executive Director	2014 to date
	Shanghai Xinhua Publishing Group Limited (上海新華發行集團有限公司)	Director	2014 to date
	Shanghai XinHua Media Co., Ltd. and Shanghai Dongfang Press Co., Ltd. (上海新華傳媒股份有限公司、 上海東方報業有限公司)	Director	2014 to date
	Shanghai Wenhui and Xinmin Industry Co., Ltd., Shanghai Shenwen Industry Co., Ltd. and Shanghai Shangbao Chuanyue Properties Development Co., Ltd. (上海文匯新民實業有限公司, 上海申聞實業有限公司, 上海上報傳悅置業發展有限公司)	Chairman	2014 to date
	Jiemian (Shanghai) Network Technology Co., Ltd. (界面(上海)網絡科技有限公司)	Director	2014 to date
	上海精文置業(集團)有限公司	Director	2014 to date

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

Name	Name of entities	Positions	Tenure
Xu Qi	Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司, now known as Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司))	Supervisor	2009 to date
	Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司)	Supervisor	2015 to date
Feng Huang	SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司)	President, Director	2012 to date
	Shanghai SIIC Investment Management Consulting Co., Ltd. (上海上實投資管理 諮詢有限公司)	Chairman, President	2014 to date
	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)	Director	2004 to date
	Shanghai Information Investment Inc. (上海市信息投資股份有限公司)	Director	2011 to date
	SIIC Investment Co., Ltd. (上海實業投資 有限公司)	Chairman	2012 to date
	South Pacific Hotel Hong Kong Co., Ltd. (南洋酒店(香港)有限公司)	Chairman	2012 to date
	Shanghai SIIC Asset Operation Co., Ltd. (上海上實資產經營有限公司)	Chairman	2014 to date
	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)	Director	2013 to date
Shanghai Guojing Leasing Co., Ltd. (上海國金租賃有限公司)	Vice Chairman	2014 to 2014	
	Shanghai SIIC Finance Co., Ltd.	Director	2014 to date
Positions of resigned Directors:			
Zhou Donghui	Shanghai Tobacco (Group) Co., Ltd. (上海煙草集團有限責任公司)	Deputy Head of Finance Management Department	2011 to date
	Orient Securities Company Limited (東方證券股份有限公司)	Non-executive Director	2009 to 2014

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

Name	Name of entities	Positions	Tenure
Positions of resigned independent Directors:			
Xia Bin	Institute of Finance of Development Research Centre of State Council	Head (now Honorary Head)	2002 to 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
	Yabuli China Entrepreneurs Forum (亞布力中國企業家論壇)	Director	2008 to date
	Bosc Asset Management Co., Ltd. (上銀基金管理有限公司)	Independent Director	2015 to date
Zhang Huiquan	Union Best Partner (嘉誠泰和律師事務所)	Lawyer	2002 to 2014
	Orient Group Incorporation (東方集團股份有限公司)	Director, Vice President	2014 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 2014
	Positions of resigned Supervisors:		
Wu Zhilin	Shanghai Newspaper Trade Association (上海市報紙行業協會)	President	2014 to date
Xing Jianhua	Shanghai Orient International Asset Management & Administration Co., Ltd. (上海東方國際資產經營管理有限公司)	Vice Chairman	2007 to date
	Shanghai Silk (Group) Co., Ltd. (上海絲綢(集團)有限公司)	Director	2003 to date

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

(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), born in 1958, a holder of a doctor's degree in economics, recognized as a senior economist, serves as the Chairman, an executive Director and the secretary of CPC party committee of the Company. Mr. Wang joined the Company in February 1995 as the deputy general manager and has been the Chairman since May 1998. 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 previously served in various positions in Research Institute of National State-owned Assets Administration Bureau (國家國有資產管理局研究所) from July 1990 to February 1995, including the deputy head of this institute. He was also the director of policy research office of policy and regulation department of the same bureau from March 1992 to February 1994. Mr. Wang was the deputy general manager of the Company from February 1995 to November 1997, secretary of CPC party group of the Company from November 1997 to December 1998 and general manager of the 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, vice president of Securities Association of China since July 2002, and the vice chairman of Shanghai Financial Association since May 2014.

Mr. Qu Qiuping (瞿秋平), born in 1961, has a master's degree in economics and is a senior accountant. Mr. Qu has been an executive Director, the general manager and the deputy secretary of CPC committee of the Company since 25 June 2014. He was the accountant, deputy section chief, Youth League secretary of Nanshi District Office of the People's Bank of China Shanghai (中國人民銀行上海市南市區辦事處) from September 1980 to December 1983; the deputy section chief and section chief of Nanshi District Office of the Industrial and Commercial Bank of China Shanghai (中國工商銀行上海市南市區辦事處) from January 1984 to September 1992; the vice president of Nanshi Sub-branch of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行南市支行) from September 1992 to November 1995; the deputy head of the accounting and cashier department of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行) from November 1995 to December 1996; the president and deputy secretary of CPC party committee of Shanghai Baoshan Sub-branch of the Industrial and Commercial Bank of China (中國工商銀行上海市寶山支行) from December 1996 to March 1999; the head of the accounting and clearing department of the Industrial and Commercial Bank of China Shanghai Branch from March 1999 to December 1999; the assistant to the president of the Industrial and Commercial Bank of China Shanghai Branch from December 1999 to June 2000; the vice president of the Industrial and Commercial Bank of China Shanghai Branch from June 2000 to February 2005 (he was a visiting scholar at University of Pennsylvania from September 2002 to September 2003); the vice president of the Industrial and Commercial Bank of China Jiangsu Branch (中國工商銀行江蘇省分行) from February 2005 to September 2008; the deputy secretary of CPC party committee and the vice chairman of the board of directors of Bank of Shanghai (上海銀行) from September 2008 to November 2008; the president, deputy secretary of CPC party committee and the vice chairman of the board of directors

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

of Bank of Shanghai from November 2008 to December 2010; the head of the Work Coordination Department of the Dispatched Offices of the CSRC (中國證監會派出機構工作協調部) from December 2010 to August 2012; and the head of the Department of Supervision of Unlisted Public Companies of the CSRC (中國證監會非上市公眾公司監管部) from August 2012 to April 2014.

2. *Non-executive Directors (6)*

Mr. Zhuang Guowei (莊國蔚), born in 1954, holding a master's degree in economics and a master's degree in business administration, has served as a Director of the Company since 16 July 2007. He was the vice president of Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司) from August 2006 to December 2014. Mr. Zhuang obtained a bachelor's degree in economics from the Correspondence College of Party School of the Central Committee of the CPC (中共中央黨校函授學院) in December 1994, a master's degree in economics from Shanghai Academy of Social Sciences in January 1996 and 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 Co., Ltd. (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 the manager of asset operation department of Shanghai NGS (Group) Co., Ltd. (上海市農工商(集團)總公司) from August 1999 to April 2001 and was the vice 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, chairman of Shanghai HaiBo Co., Ltd. (上海海博股份有限公司) ("Shanghai HaiBo") from February 2004 to April 2009, a director of Shanghai HaiBo from April 2009 to April 2014 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, chairman of supervisory committee of the NGS Real Estate (Group) Co., Ltd. since June 2013 to date, and chairman of supervisory committee of Shanghai Tangjiu (Group) Co., Ltd. since May 2013 to date. Mr. Zhuang has been chairman of Bright Dairy & Food Co., Ltd. (光明乳業股份有限公司) since April 2010.

Mr. Chen Bin (陳斌), born in 1981, a postgraduate, has been the assistant to head of investment management department of Shanghai Tobacco Group Co., Ltd. (上海煙草集團有限責任公司) and the assistant to general manager of Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司) since April 2014. Mr. Chen graduated from the school of management of Fudan University (復旦大學) with a major in management science in June 2003, and obtained a master's degree in finance from the School of Economics of Fudan University (part-time) in June 2011. Mr. Chen served as the officer of investment management department of Shanghai Tobacco (Group) Company from July 2003 to January 2010, assistant to section chief and section chief of investment management department of Shanghai Tobacco (Group) Company (now renamed as Shanghai Tobacco Group Co, Ltd.) during January 2010 to April 2014. Mr. Chen has been a non-executive director of Orient Securities Company Limited since October 2014.

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

Mr. Xu Chao (徐潮), born in 1955, a holder of an MBA degree and a senior economist, has been a Director of the Company since 16 May 2011 and the deputy chief economist and head of investment department of Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) since December 2013. Mr. Xu graduated with a major in Marxism-Leninism theory from Cadre Training College of Party School of Shanghai Committee of CPC (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 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 the director of financial division, the head of financial department and the 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. Mr. Xu joined Shanghai Electric Capital Management Co., Ltd. (上海電氣資產管理有限公司) from October 2006 to December 2013 and served in various positions including chief financial officer from March 2007 to October 2011 and vice president from May 2008 to December 2013. 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 was the 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) from May 2010 to December 2013 (vice chairman from December 2012 to December 2013), 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) from June 2011 to the end of 2013. He has been the executive director, the legal representative and the general manager of Shanghai Electrical Industrial Company (上海電氣實業公司) since May 2010, a non-executive director of Orient Securities Company Limited (東方證券股份有限公司) since March 2011 and the vice chairman of Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司) since June 2011.

Mr. Wang Hongxiang (王鴻祥), born in 1956, a holder of an MBA degree, recognized as a senior accountant, has served as a Director of the Company since 16 May 2011 and as the deputy chief accountant of Shenergy Group Company Limited (申能(集團)有限公司) since December 1998. Mr. Wang has over 20 years of working experience in finance and accounting since he graduated from university. Mr. Wang obtained a bachelor's degree in accounting from Xiamen University in July 1983 and an EMBA degree from Shanghai University of Finance and Economics in June 2006. Mr. Wang was an associate professor at Shanghai University of Finance and Economics for several years.

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

Ms. Zhang Xinmei (張新玫), born in 1959, has a master's degree in business administration, and is a senior accountant. Ms. Zhang has been the deputy general manager of Shanghai Jiushi Corporation (上海久事公司) since December 2014. Ms. Zhang obtained a bachelor's degree in finance and accounting from Beijing Metallurgy Management Cadre College (北京冶金幹部管理學院) (part-time) in July 1994, and obtained a master's degree in business administration from China Europe International Business School (part-time) in March 2003. Ms. Zhang served as officer, deputy section chief, section chief and deputy head of finance department of the Shanghai Bureau of Metallurgical Industry (上海冶金工業局) during March 1981 to October 1995; deputy head, head and deputy chief accountant of finance department of Shanghai Metallurgical Holding Group Corporation (上海冶金控股集團公司) during October 1995 to November 1998; manager of financial management headquarters and manager of capital management headquarters of Shanghai Jiushi Corporation (上海久事公司) during November 1998 to November 2004; chief accountant of Shanghai Jiushi Corporation from November 2004 to December 2014. Mr. Zhang has been a director of Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司, now known as Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司)) since 2012.

Mr. He Jianyong (何健勇), born in 1962, has been a Director of the Company 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 the assistant accountant of the finance department and the 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 the section chief 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. Mr. 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.

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

3. *Independent Non-executive Directors (5):*

Mr. Liu Cheeming (劉志敏), born in 1951, has been the independent Director of the Company since 16 September 2011 and the managing director of Platinum Holdings Limited (百德能控股有限公司) since 1996. Mr. Liu is also a member of the board of directors of Japfa Ltd. (a company listed on the Singapore Exchange), Starhub Ltd. (星和有限公司) (a company listed on the Singapore Exchange) and Kader Holdings Company Limited (開達集團有限公司) (a company listed on the Hong Kong Stock Exchange). He is an independent director of OUE Hospitality REIT Management Pte. Ltd. (華聯酒店房地產信託管理有限公司) and OUE Hospitality Trust Management Pte. Ltd. (華聯酒店信託管理有限公司) (which are the REIT Manager and Trustee-Manager, respectively, of OUE Hospitality Trust (a company listed on the Singapore Exchange) and 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). He has over 30 years of experience in the financial service field. Mr. Liu's expertise in finance and strategy-making, as well as his working experience in large enterprises worldwide and his relationship with them are valuable assets of the Board. He held senior positions in various departments of Jardine Fleming Holdings Limited for over 17 years. He is 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的收購上訴委員會) and vice chairman of the Takeovers and Mergers Panel. Mr. Liu holds a bachelor's degree in business administration from the former University of Singapore (新加坡大學).

Mr. Xiao Suining (肖遂寧), born in 1948, has served as an independent Director of the Company since 27 May 2013. Mr. Xiao 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 Panshidong 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 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. Mr. Xiao has been an independent director of Beijing SPC Environment Protection Tech Co., Ltd. since July 2013 and an independent director of Zhongrun Resources Investment Corporation since August 2013.

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

Mr. Li Guangrong (李光榮), born in 1963, holds a doctor's degree in economics. He was graduated from the department of finance of Zhongnan University of Economics (中南財經大學) in July 1987, and obtained MBA from the international business school of Hunan University (湖南大學) in July 1996, and obtained a doctor's degree in economics from Chinese Academy of Social Sciences (中國社會科學院) in July 2001. Mr. Li served as the section chief of the Finance and Trade Office of the people's government of Hunan Province (湖南省人民政府財貿辦) from July 1987 to April 1993; manager of the securities department of Bank of China, Hunan Branch (中國銀行湖南省分行) from April 1993 to October 1995; general manager of business development department of China Everbright Bank Guangzhou Branch (光大銀行廣州分行) from October 1995 to December 1997. He has been the chairman of Tehua Investment Holding Co., Ltd. (特華投資控股有限公司) since January 1998; chairman of Sinosafe General Insurance Co., Ltd. (華安財產保險股份有限公司) since December 2004; and executive director, chairman of the advisory committee to the board of China Minsheng Investment Company Limited (中國民生投資股份有限公司) since June 2014.

Mr. Lyu Changjiang (呂長江), born in 1965, a doctor in quantitative economics, obtained a master's degree in accounting from the department of accounting of Xiamen University in June 1993, and obtained a doctor's degree in quantitative economics from the business school of Jilin University in December 1999. Mr. Lyu served as deputy department head and department head of the business school of Jilin University during June 1989 to May 2001, took Advanced Management Program of NYENRODE University in Netherlands from January 1999 to September 1999, and as a Fullbright senior research scholar in the University of California, United States, from September 2004 to September 2005. He served as associate dean, professor and doctoral tutor of the school of business of Jilin University during May 2001 to February 2006 and has been serving as the head, associate dean, professor and doctoral tutor of the department of accounting of the school of management of Fudan University since February 2006 till now. He is also a member of the Expert Group of China Accounting Standards Committee of the Ministry of Finance (財政部會計準則諮詢委員會專家組), and associate editor of "China Accounting Review". He enjoyed a special government allowance granted by the State Council, and was enlisted in Quality Talent Program for New Century (新世紀優秀人才培養計劃) organized by the Ministry of Education, and the Baogang outstanding teacher education award. He served as independent director of each of Changchun High & New Technology (長春高新), Eastmoney (東方財富) and China Commodity City (中國小商品城). He has been the independent director of Shanghai Jinfeng Investment Co., Ltd. (上海金豐投資股份有限公司), Nantong Jiangshan Agrochemical & Chemical Co. LTD. (南通江山農藥化工股份有限公司) and China Tianying Inc. (中國天楹股份有限公司) since August 2010.

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

Mr. Feng Lun (馮倫), born in 1959, a doctor in law, obtained a bachelor's degree in economics from the Northwest University (西北大學), a master's degree in laws from the Party School of the Central Committee of CPC, a doctor's degree in laws from the Graduate School of Chinese Academy of Social Sciences and a master of public policy (MPP) from Lee Kuan Yew School of Public Policy, National University of Singapore. He has been a lecturer and researcher at the Party School of CPC, the Propaganda Department of the Central Committee of CPC and National Committee for Economic System Reform from September 1984 to December 1990. Mr. Feng founded Hainan Agricultural High Technology Investment and Development Corporation (海南農業高技術投資聯合開發總公司) from January 1991 to December 1991 and Hainan Vantone Enterprise (Group) Co., Ltd. (海南萬通企業(集團)有限公司) from January 1992 to December 1992, and served as the chairman. Mr. Feng has also served as the chairman of Vantone Holdings Co., Ltd. (萬通投資控股股份有限公司) since January 1993.

4. *Resigned Directors (10):*

Mr. Li Mingshan (李明山), born in 1952, 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 Center (上海市任職資格評價中心) in June 2001. Mr. Li joined the Company in May 2001 and has been the general manager of the Company since March 2014. He was a Director of the Company from November 2002 to March 2014. 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 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 Limited from August 2010 to March 2011. Mr. Li was a director of Fullgoal Fund Management Co., Ltd. from 2005 to 2014 and was deputy secretary of CPC party committee of the Company from March 2002 to March 2014.

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Mr. Zhou Donghui (周東輝), born in 1969, served as a Director of the Company from 8 May 2009 to 30 December 2014. 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 was a non-executive director of Orient Securities Company Limited from May 2009 to October 2014.

Mr. Zhang Jianwei (張建偉), born in 1954, served as a Director of the Company from 28 November 2002 to 30 December 2014. Mr. Zhang obtained a junior college degree in industrial economic management from Fudan University in July 1986 and then graduated with a major in enterprise management from Fudan University (Evening School) in July 1995. 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. from December 2002 to December 2014, a non-executive director of Shenyin & Wanguo Securities Co., Ltd. from January 2002 to September 2012, a director of Shanghai Highly (Group) Co., Ltd. (上海海立股份有限公司) from May 2008 to June 2012. Mr. Zhang has been 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) since May 2008, and a supervisor of China Pacific Insurance Group Co., Ltd. (太平洋保險集團股份有限公司) since February 2011.

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

Mr. Li Gewei (李葛衛), born in 1967, served as a Director of the Company from 16 May 2011 to 30 December 2014. 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) from April 2007 to January 2012, and was mainly in charge of investment management, and also 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. Li 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) since June 2008.

For details of **Mr. Feng Huang (馮煌)**, please refer to the profiles of Supervisors.

Mr. Dai Genyou (戴根有), born in 1949, served as a Director of the Company from 16 May 2011 to 30 December 2014. 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. 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.

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Mr. Xia Bin (夏斌), born in 1951, served as a Director of the Company from 30 May 2006 to 30 December 2014. He has over 29 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 from January 1982 to March 1993 and from March 1993 to July 1993, respectively, general manager of the Shenzhen Stock Exchange from July 1993 to October 1995, and director of trading department of CSRC from July 1993 to October 1993, 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. Zhang Huiquan (張惠泉), born in 1968, was a Director from 16 July 2007 to 30 December 2014. He has around 16 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 served as a lawyer of Union Best Partner (北京嘉誠泰和律師事務所) from December 2002 to 30 June 2014. Mr. Zhang has been a director and vice president of Orient Group Incorporation (東方集團股份有限公司) since 1 July 2014.

Mr. Chen Qiwei (陳琦偉), born in 1952, served as a Director of the Company from 16 July 2007 to 30 December 2014. 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 was 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) from July 2009 to July 2012. He has been the professor and doctoral supervisor of Antai College of Economics & Management, Shanghai Jiao 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") since June 2008, a director of Yabuli China Entrepreneurs Forum (亞布力中國企業家論壇) and a rotating chairman of New Shanghai Businessman Federation (新滬商聯合會) since December 2008, and an independent director of Bosc Asset Management Co., Ltd. (上銀基金管理有限公司) since February 2015.

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

Mr. Zhang Ming (張鳴), born in 1956, served as a Director of the Company from 5 May 2008 to 30 December 2014. 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 has 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) 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) since June 2009.

5. *Employee Supervisors (4):*

Mr. Yang Qingzhong (楊慶忠), born in 1956, a senior political officer with a master's degree, has served as the secretary of the discipline inspection commission of the Company since October 2008. He has been a Supervisor since 21 May 2004 and the vice chairman of the Supervisory Committee since 16 May 2011. Mr. Yang graduated from Party School of the Central Committee of the CPC with a bachelor's degree in economic management in December 1995 and graduated as a postgraduate with a major in management science and engineering from Shanghai University in April 2001. 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 organization department of the CPC party committee from August 2003 to April 2013. Mr. Yang has been the Labour Union Chairman from July 2013 to December 2014, deputy secretary of CPC party committee since February 2014.

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Ms. Qiu Xiaping (仇夏萍), born in 1960, a holder of an MBA degree, recognized as a senior accountant, has served as a general manager of planning and finance department of the Company since November 2014 and as a Supervisor of the Company since 16 July 2007. Ms. Qiu graduated with a major in finance from Shanghai TV University (junior college degree) in July 1986 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 January 2002, and obtained a master's degree in business administration from Washington International University in July 2003. She worked at Yangpu branch of the Industrial and Commercial Bank of China from August 1980 to August 1992 and held position 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. Ms. Qiu has served different positions in the Company, including officer of the planning and finance department of the Company from November 1994 to August 1996, section chief of the finance and accounting department from August 1996 to April 1998, assistant to the general manager of the finance and accounting department from April 1998 to July 2000, deputy general manager of the finance and accounting department from July 2000 to March 2009, deputy general manager (in charge of operation) of the planning and finance department from March 2009 to December 2010, and deputy general manager (with benefits as a general manager) of the planning and finance department from December 2010 to November 2014. 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 Management Co., Ltd. since October 2008 and a supervisor of Haitong Jihe Private Equity Investment Fund Management Company Limited since November 2010.

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Ms. Wang Meijuan (王美娟), born in 1964, holds a master's degree in economics and is a senior accountant. Ms. Wang has been the general manager of the audit department of the Company since March 2011. She graduated with a bachelor's degree in economics from the Economic and Finance Department of Shanghai College of Finance and Economics (上海財經學院財政金融系) in July 1985 and a master's degree in economics from the Finance Department of Shanghai University of Finance and Economics (上海財經大學財政系) in January 1988. Ms. Wang was a lecturer of the Management and Engineering Department of Shanghai Institute of Building Materials (上海建材學院管理工程系) from January 1988 to October 1994, and a senior manager of Da Hua Certified Public Accountants (大華會計師事務所) from May 1992 to May 2001. She served in various positions in the Company, including manager of audit department from May 2001 to August 2001, assistant to general manager of audit department from August 2001 to March 2002, deputy general manager of audit department from March 2002 to May 2006, deputy general manager of risk control headquarters (with benefits as a general manager) from May 2006 to September 2006, and chief auditor and deputy general manager of risk control headquarters (with benefits as a general manager) from September 2006 to March 2011. Ms. Wang has been chief supervisor of Haitong Futures Co., Ltd. (海通期貨有限公司) since July 2005, a director of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) since October 2008, a supervisor of Jilin Modern Agricultural and Emerging Markets Investment Fund Limited (吉林省現代農業和新興產業投資基金有限公司) since December 2010, a director of Xi'an Aerospace New Energy Industry Investment Fund Co., Ltd. (西安航天新能源產業基金投資有限公司) since January 2011, a supervisor of Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司) since April 2012, a director of Haitong International Securities Group Limited (海通國際證券集團有限公司) since September 2012, a supervisor of Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司) since January 2014, a supervisor of Haitong UniFortune International Leasing Co., Ltd. (海通恒運國際租賃有限公司) since January 2014, a supervisor of Shanghai UniCircle Investment & Development Corporation (上海泛圓投資發展有限公司) since January 2014 and a supervisor of Haitong UniTrust Finance & Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司) since July 2014.

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Ms. Hu Hairong (胡海蓉), born in 1971, holds a bachelor's degree in law and is an economist. She has been the director of the department of Party-civilian relationship and deputy general manager of the human resources development department of the Company since March 2013. Ms. Hu graduated with a bachelor's degree in law from Shanghai University of Finance and Economics with major in economic law in July 1993. She worked in various departments of the Company, including the business department in Shanghai Baoshan District (上海寶山營業部) from July 1993 to June 1995, Shanghai business headquarters from June 1995 to May 1996, the office of general manager from May 1996 to March 1998, as deputy section chief of external affairs section of the office of general manager from March 1998 to March 2001, as deputy section chief and section chief of assignment section of the human resources development department from March 2001 to May 2005, assistant to general manager of the human resources development department from May 2005 to December 2010, and deputy general manager of the human resources development department from December 2010 to February 2013. Ms. Hu has been a director of Haitong Leading Capital Management Co., Ltd. (海通創意資本管理有限公司) since June 2012 and the vice chairman of the trade union of the Company since December 2014.

6. Supervisors (7):

Mr. Li Lin (李林), born in 1962, a holder of an MBA degree, has served as a Supervisor of the Company since 27 May 2013. He has been the chief financial officer of Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司) since April 2014. Mr. Li graduated from Shanghai University of Finance and Economics with a bachelor's degree in economics in July 1984 and graduated from Nanyang Technological University with a master's degree in business administration 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 July 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. He served as the general manager of finance department in Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司) from October 2010 to April 2014. Mr. Li has been the chairman of Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司) since December 2014, an executive director of Shanghai Metropolitan Asset Management Co., Ltd. (上海大都市資產經營管理有限公司) since July 2014, a director of NGS Real Estate (Group) Co., Ltd. (農工商房地產(集團)股份有限公司) since January 2014, a director of Bright Food International Limited (光明食品國際有限公司) since February 2011, a director of Weetabix Food Company since November 2012, a director of Sailing Capital Management Co., Ltd. (賽領資本管理有限公司) since October 2014 and a director of Sailing Capital International Fund (Shanghai) (賽領國際投資基金(上海)有限公司) since October 2014.

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

Mr. Dong Xiaochun (董小春), born in 1964, a holder of an MBA degree, recognized as a senior accountant, has served as a Supervisor of the Company since 16 July 2007. Mr. Dong has been 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) (changed its name to Shanghai Bailian Group Co., Ltd. on 5 August 2014) since September 2011. 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 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 Co., Ltd. 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.

Mr. Chen Huifeng (陳輝峰), born in 1966, holds a master's degree in business and administration, and is an international business engineer. He has been the general manager of the investment & development department of Shanghai EastBest International (Group) Co., Ltd (上海東浩蘭生國際服務貿易(集團)有限公司) since December 2013. Mr. Chen graduated with a bachelor's degree in economics, major in economy of the world, from Fudan University in July 1989. He also obtained a master's degree in business and administration from China Europe International Business School in 2001. He was deputy general manager of the household product branch of Shanghai Light Industrial Products Imp. & Exp. Co., Ltd. (上海市輕工業品進出口公司) from August 1989 to January 1996, general manager of the hardware branch of Shanghai Light Industry International (Group) Co., Ltd. (上海輕工國際(集團)有限公司) from January 1996 to January 2002, deputy general manager of Shanghai Light Industrial Products Imp. & Exp. Co., Ltd. from January 2002 to March 2002, deputy general manager of Shanghai Light Industrial INT'L Development Corp., LTD (上海輕工國際發展有限公司) from March 2002 to December 2003, executive general manager and general manager of Shanghai Lansheng Corporation (上海蘭生股份有限公司) from December 2003 to December 2007, and general manager of the operation department and the investment and management department of Shanghai Lansheng (Group) Co., Ltd. (上海蘭生(集團)有限公司) from December 2007 to December 2013. Mr. Chen has been a director of Shanghai Lansheng Corporation since June 2012 and a director of Shanghai CP Guojian Pharma Co., Ltd. (上海中信國健藥業股份有限公司) since May 2014.

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Mr. Cheng Feng (程峰), born in 1971, is a holder of an MBA degree. He has been the member of CPC party committee and the deputy general manager of Shanghai United Media Group (上海報業集團) since October 2013. Mr. Cheng graduated from Shanghai Jiao Tong University (上海交通大學) with a major in Industry and Foreign Trade, he obtained a bachelor's degree in engineering in July 1994, and a master's degree in business administration from Shanghai Jiao Tong University in January 2001. From July 1994 to March 1995, he worked in the student group in the School of Management of Shanghai Jiao Tong University; from March 1995 to May 1996, he worked in the Department of Foreign Economic of Shanghai Foreign Economic and Trade Commission (上海市對外經濟貿易委員會外經處); from May 1996 to February 2001, he worked in the Youth League of Shanghai Foreign Economic and Trade Commission holding such positions as the deputy secretary and the secretary; from February 2001 to June 2002, he served as vice president (on job training) of Shanghai Electrical Machinery Group Import & Export Co., Ltd (上海機械進出口(集團)有限公司); from June 2002 to April 2005, he served as deputy director and director at the Office of Technology Import and Technological Development and Technology Trade Office of Shanghai Foreign Economic and Trade Commission (上海對外經濟貿易委員會技術進口處和科技發展與技術貿易處); from April 2005 to October 2013, he served as a director of the general office, head of the information centre, general manager of the administration headquarter (concurrently the chairman and general manager of Shanghai Guo Sheng Pawn Co., Ltd. (上海國盛典當有限公司)), the deputy secretary of CPC party committee, general manager, secretary of CPC party committee and chairman of Shanghai International Group Financial Services Co., Ltd. (上海國際集團金融服務有限公司), the secretary of CPC party committee and chairman of Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司). Mr. Cheng has been the chairman and general manager of Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司) since February 2014, the executive director of Shanghai Shendi Asset Management Co., Ltd. (上海申地資產管理有限公司) since April 2014, the director of Shanghai Xinhua Publishing Group Limited (上海新華發行集團有限公司) since May 2014, the director of Shanghai XinHua Media Co., Ltd. and Shanghai Dongfang Press Co., Ltd. (上海東方報業有限公司) since July 2014, the chairman of Shanghai Wenhui and Xinmin Industry Co., Ltd. (上海文匯新民實業有限公司), Shanghai Shenwen Industry Co., Ltd. (上海申聞實業有限公司) and Shanghai Shangbao Chuanyue Properties Development Co., Ltd. (上海上報傳悅置業發展有限公司) since August 2014, the director of Jiemian (Shanghai) Network Technology Co., Ltd. (界面(上海)網絡科技有限公司) since September 2014, the director of Shanghai Jovian Property (Group) Co., Ltd (上海精文置業(集團)有限公司) since October 2014.

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Mr. Xu Qi (許奇), born in 1962, a senior international finance manager with a master's degree, has served as a Supervisor of the Company since 16 July 2007. He has been the chief financial officer of Shanghai Oriental Pearl (Group) Co., Ltd. (上海東方明珠(集團)股份有限公司) since March 2004. 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 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) recognized 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 was a supervisor of Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司) from June 2009 to January 2015 and has been a supervisor of Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司) and Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司) since January 2015.

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Mr. Hu Jingwu (胡京武), born in 1955, holding a bachelor's degree in economics, has served as a Supervisor of the Company since 16 October 2013 and the general manager of China Shipowners Mutual Assurance Association since May 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. Feng Huang (馮煌), born in 1971, is a holder of an MBA degree. Mr. Feng was the Director of the Company from 16 May 2011 to 30 December 2014 and has been the president and director of SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司) since December 2012 to date. 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 (美國韋伯斯特大學) in November 1998. Mr. Feng is an economist recognized by Ministry of Personnel of the 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, qualified as the independent director for listed 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) ("SIIC Investment") in January 1999 and served in various positions, and has been the vice chairman and president since September 2014. He has been the chairman and president of Shanghai SIIC Investment Management Consulting Co., Ltd. (上海上實投資管理諮詢有限公司) ("Shanghai SIIC") since December 2014, 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 the chairman of Shanghai SIIC Asset Operation Co. Ltd. (上海上實資產經營有限公司) since December 2014, 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, the vice chairman of Shanghai Guojin Leasing Co., Ltd. (上海國金租賃有限公司) since January 2014, and a director of Shanghai Shangshi Group Finance Co., Ltd. (上海上實集團財務有限公司) since May 2014.

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7. Resigned Supervisors (5):

Ms. Jin Yanping (金燕萍), born in 1955, was a Supervisor of the Company from 16 July 2007 to 30 December 2014. 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 Shanghai office's executive vice 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 and manager of the general corporate business department of Shanghai Lansheng from March 2001 to June 2003. Ms. Jin was the general manager of the investment management department of Shanghai Lansheng from June 2003 to July 2013 and a director of Shanghai Lansheng Corporation (上海蘭生股份有限公司) (a company listed on the Shanghai Stock Exchange and its stock code is 600826) from May 2003 to May 2012. Ms. Jin was an assistant to the president of Shanghai Lansheng from October 1998 to July 2013.

Mr. Wu Zhilin (吳芝麟), born in 1952, was a Supervisor of the Company from 19 May 2010 to 30 December 2014. 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 August 1994, including 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) from August 1994 to May 1998 and the deputy chief editor of Wenhui Paper (文匯報) from May 1998 to July 2008. Mr. Wu was a member of and a secretary 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 was 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) from June 2012 to April 2014 and has been the president of Shanghai Newspaper Trade Association since June 2014.

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Mr. Xing Jianhua (邢建華), born in 1959, was a Supervisor of the Company from 28 November 2002 to 30 December 2014. Mr. Xing obtained a bachelor's degree in economics from East China Normal University in December 1992. Mr. Xing is a senior accountant recognized by 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 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 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 a director of Orient International Enterprise Ltd. (東方國際創業股份有限公司) 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, and the investment director of Orient International since December 2013.

Mr. Wang Yimin (王益民), born in 1951, joined the Company in January 2010 and was an employee Supervisor from 7 April 2010 to 30 December 2014 and chairman of the Supervisory Committee from April 2010 to January 2013. 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 the 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.

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Mr. Du Hongbo (杜洪波), born in 1963, joined the Company in March 2002 and was our employee Supervisor from 16 May 2011 to 30 December 2014. 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 Wuhan Computer Application Institute (武漢市計算機應用開發研究所), 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 and the deputy general manager of the risk control headquarters of the Company from May 2005 to March 2011. Mr. Du was 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.

8. *Other Current Senior Management (13):*

Mr. Ji Yuguang (吉宇光), born in 1957, joined the Company in November 1995 and has been the Deputy General Manager since November 1997. He is mainly in charge of international business. 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, and a director of China-Belgium Direct Equity Investment Fund from November 2004 to March 2011. Mr. Ji has been a non-executive director of Haitong International Securities Group Limited since January 2010 and chairman of board of directors of Haitong International Securities Group Limited since March 2011, a director of Haitong International Holdings Limited since August 2010, chairman of the board of directors of Haitong International Holdings Limited since March 2011 and a director of HFT Investment Management Co., Ltd. since April 2003.

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Mr. Ren Peng (任澎), born in 1962, 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. 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. He has been chairman of the board of Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司), Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司), UniFortune International Leasing Co., Ltd. (恒運國際租賃有限公司), and Haitong UniTrust Finance & Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司) since July 2014, and a director of Shanghai UniCircle Investment & Development Corporation (上海泛圓投資發展有限公司).

Mr. Li Xunlei (李迅雷), born in 1963, 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. 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 engaged in translation and research in the library and 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 1996 to August 1999. He was deputy director and director of the research institute and general manager of sales and trading headquarters, assistant to president, general economist and chief economist in Guotai Junan Securities Co., Ltd. (國泰君安證券有限公司) from 1999 to 2011.

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

Mr. Hiroki Miyazato (宮里啟暉), born in 1965, joined the Company in May 2009 and has been the Deputy General Manager since March 2012. He is mainly in charge of securities investment, trading, OTC business and serves as the general manager of Free Trade Pilot Zone Branch (自貿試驗區分公司). 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), born in 1965, joined the Company in August 2013. 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. From July 1993 to July 1996, Mr. Pei successively held various positions in Shanghai Wanguo Securities Co., Ltd., including research fellow of research department, and assistant to the general manager, general manager of Zhabei Business Department. From August 1996 to October 2002, he held the position of general manager of Zhabei Business Department, 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. Mr. Pei has been a director of Fullgoal Fund Management Co., Ltd. since August 2014 and chairman of Shanghai Haitong Securities Asset Management Company Ltd. since November 2014.

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

Mr. Wang Jianye (王健業), born in 1960, a master postgraduate and a senior economist, 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. Mr. Wang is also a deputy director of of Compliance Committee of the Securities Association of China (中國證券業協會合規專業委員會). 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 Graduate School of Xiamen University in January 1994. Mr. Wang has been a senior economist recognized by PBOC in 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 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.

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

Mr. Li Chuqian (李礎前), born in 1957, a master in economics and a senior economist, joined the Company in August 1994 and has been the chief financial officer of the Company (enjoying the Company's deputy general manager level benefits), mainly in charge of planning and finance department since July 2007. Mr. Li is also a deputy director of the Financial Accounting and Risk Control Committee of the Securities Association of China (中國證券業協會財務會計與風險控制專業委員會). 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 in 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. He was 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. Mr. Li has been chief supervisor of HFT Investment Management Co., Ltd. since April 2003, and a director of Haitong-Fortis Private Equity Fund Management Co., Ltd. since June 2010.

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

Mr. Jin Xiaobin (金曉斌), born in 1954, joined the Company in 1998 and has been the secretary to the Board since 2005, and also the joint company secretary (enjoying the Company's deputy general manager level benefits) and the authorized representative of the Company since 2011 and the deputy director of our investment banking committee since 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 2013. He has 17 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 1998 to 2000, head of research institute from 2000 to 2004, person-in-charge of electronic commerce department from 2001 to 2002, general manager of brokerage business headquarters from 2003 to 2005, general manager of M&A financing department from 2007 to 2008. Mr. Jin has been the assistant to the general manager of the Company since 2003 and chairman and legal representative of Haitong Jihe Private Equity Investment Fund Management Company Limited from 2010 to 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 1988, a master's degree in economics from Fudan University in 1993, a doctor's degree in economics from Fudan University in 1996 and a postdoctoral degree in finance from Shanghai University of Finance and Economics in 1998. Mr. Jin has been a deputy researcher (deputy professor level) recognized by Shanghai University of Finance and Economics since 1998 and has been an expert with special allowance from the State Council since 2002. Mr. Jin worked in the navy of the PRC from 1972 to 1998. He acted as the deputy director of the analysts committee under the Securities Association of China from 2000 to 2011. He has been a professional evaluation expert of securities companies in the Securities Association of China since 2011. He served as a member of Advisory Committee of Information Disclosure of Companies Listed on Shanghai Stock Exchange since 2013.

Mr. Huang Zhenghong (黃正紅), born in 1975, joined the Company in July 2001 and has been the secretary of the Board since March 2015 and the general manager of the strategic development department of the Company since November 2012. Mr. Huang graduated from Peking University with a bachelor's degree in science, major in nuclear physics and nuclear techniques in July 1998. He graduated from Peking University with a master's degree in economics, major in national economics in July 2001. Mr. Huang served in various positions in the Company, including an industry analyst in our research centre from July 2001 to December 2003, a vice section level secretary, section chief level secretary and assistant to director in the general manager's office of the Company from December 2003 to March 2011 successively, a deputy director of the strategic development & IT management committee and assistant to director in the general manager's office of the Company from March 2011 to November 2012. Mr. Huang has been a director of UT Capital Group Co., Limited (恒信金融集團有限公司), Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司), UniFortune International Leasing Co., Ltd. (恒運國際租賃有限公司) and Shanghai UniCircle Investment & Development Corporation (上海泛圓投資發展有限公司) since January 2014, a director of Haitong UniTrust Finance & Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司) since July 2014, and a director of Haitong Assets Management Co., Ltd (上海海通資源管理有限公司) since August 2013.

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

Mr. Li Jianguo (李建國), born in 1963, holding a doctor's degree in economics, an assistant to the General Manger of the Company since 2008, joined the Company in 1998. He obtained a doctoral degree in economics from Xi'an Jiaotong University. Mr. Li served as a general manager of Henan Securities Co., Ltd. (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 manger of Fullgoal Fund from May 1999 to August 2008. Mr. Li has served as the chairman of Haitong International Holdings Limited from October 2008 to August 2010. He has been the vice chairman of Haitong International Holdings Limited since August 2010, an executive director of Haitong International Securities Group Limited since January 2010 and vice chairman of the Board and member of strategic development committee of Haitong International Securities Group Limited since March 2010.

Mr. Chen Chunqian (陳春錢), born in 1963, holding a doctor's degree in economics, 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 deputy director of Financing Securities Business Committee under the Securities Association of China (中國證券業協會融資融券業務委員會). 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. Mr. Chen also served in various positions in the Company, including the person-in-charge of the Shenzhen Branch of the Company from October 1997 to January 1998, the deputy general manager of international business division from January 1998 to March 2000, the deputy general manager of Shenzhen Branch from March 2000 to December 2000, 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 and the general manager of the business department during the period of November 2007 to March 2009.

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

Mr. Zhang Xiangyang (張向陽), born in 1965, a senior economist, joined the Company in May 1996 and has been the assistant to the General Manager since December 2014 and the director of the PE and industrial capital investment committee of the Company since March 2013, mainly responsible for the direct equity investments. Mr. Zhang graduated from Taiyuan Institute of Technology (太原工業學院) with a bachelor's degree in engineering in July 1988. Mr. Zhang was recognized as a senior economist in June 2000. Mr. Zhang previously worked in Xinhua Bookstore in Taiyuan from December 1983 to April 1988, in Shanxi Radio & TV University from April 1988 to December 1991, and in the Bank of Communications (Taiyuan Branch) (交通銀行太原分行) from December 1991 to May 1996. Mr. Zhang served in various positions in the Company, including deputy general manager (in charge of daily management) and general manager of Taiyuan business department from May 1996 to April 2002, deputy general manager and general manager of integrated business management headquarters from April 2002 to May 2006, general manager of risk control headquarters from May 2006 to October 2008, and general manager of Haitong Capital Investment Co., Ltd. from October 2008 to November 2012. Mr. Zhang has been a director of Haitong Creative Capital Fund Management Co., Ltd. since June 2012, chairman of Haitong Innovative Capital Management Co., Limited (海通創新資本管理有限公司) since November 2011 and has been chairman and the director of the investment decision committee of Haitong Capital Investment Co., Ltd. since November 2012, and director of Haitong New Energy Equity Investment Management Co., Ltd. (海通新能源股權投資管理有限公司) since July 2013.

Mr. Lin Yong (林涌), born in 1969, holding a doctor's degree in economics, joined the Company in December 1996 and has been assistant to the General Manager since December 2014, and general manager of Haitong International Holdings Limited since July 2007. Mr. Lin served in various positions in the Company, including deputy general manager of investment banking department of the Company from December 1996 to July 2003, deputy general manager of the fixed income department of the Company from July 2003 to May 2004, and deputy general manager (in charge of daily management) and general manager of the investment bank department (Shanghai) of the Company from May 2004 to July 2007. Mr. Lin has been an executive director of Haitong International Securities Group Limited (海通國際證券集團股份有限公司) since December 2009, a member of both the executive committee and the strategic development committee of Haitong International Securities Group Limited (海通國際證券集團股份有限公司) since February 2010, one of the joint managing directors of Haitong International Securities Group Limited (海通國際證券集團股份有限公司) since March 2010, vice chairman of the Board, managing director and chief executive officer of Haitong International Securities Group Limited (海通國際證券集團股份有限公司) since April 2011, and chairman of the executive committee of Haitong International Securities Group Limited (海通國際證券集團股份有限公司) since June 2011. Besides, Mr. Lin has been appointed as a member of the Advisory Committee of the Hong Kong Securities and Futures Commission for three consecutive sessions since June 2009.

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

9. *Other resigned senior management (1):*

Mr. Wu Bin (吳斌), born in 1973, joined the Company in July 1998 and served as the Deputy General Manager from March 2012 to June 2014, in charge of the Company's strategy development and investment, OTC business, fund custody business and information technology ("IT"). 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 was awarded the "Shanghai Leading Economists" (上海金融領軍人才) in 2013. Mr. Wu served in various positions in the Company including a project manager in the investment banking department from July 1998 to March 2001, deputy section chief and section chief in 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 period he worked part-time as an inspector assistant in the Shanghai municipal government from January 2010 to January 2011. Mr. Wu was a non-executive director of Haitong International Securities Group from January 2010 to August 2012, a director of Haitong International Holdings Limited from August 2010 to 2014 and a director of strategic development and IT management committee of Haitong Securities from March 2011 to June 2014, and served as a member of the investment banking committee of Haitong Securities from May 2011 to June 2014, the chairman of Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司), Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司) and UniFortune International Leasing Co., Ltd. (恒運國際租賃有限公司) and a director of Shanghai UniCircle Investment & Development Corporation (上海泛圓投資發展有限公司) from January 2014 to June 2014. Mr. Wu left the Company in June 2014.

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 is provided monthly. The remuneration of our senior management is 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 general meeting decides the remuneration of the Directors.

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

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

Remuneration of our Directors and Supervisors (non-employee Supervisors) is 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 is 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 is 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 a bonus scheme based on performance. The Board will offer and distribute bonus 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" in this section.

(IV) Remuneration received in aggregate by all Directors, Supervisors and senior management at the end of the Reporting Period

The actual remuneration received in aggregate by all Directors, Supervisors and senior management from the Company at the end of the Reporting Period is RMB31,540,000.

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

(I) Changes in Directors

On 28 March 2014, the Proposal on the Resignation of Mr. Li Mingshan as the Director and General Manager of the Company was considered and approved at the twenty-fourth meeting of the fifth session of the Board. Mr. Li Mingshan resigned as the Director because he has reached the age of retirement. In the meantime, the Resolution on Nomination of Mr. Qu Qiuping as the Candidate of Director of the Company was considered and approved at the 2013 general meeting held on 27 May 2014 and the qualification of Mr. Qu Qiuping serving as the Director has been approved by relevant regulatory authority and effective on 25 June 2014.

On 26 August 2014, the Proposal on Re-election of the Board of the Company was considered and approved at the twenty-eighth meeting of the fifth session of the Board. The proposal has been approved at the 2014 first extraordinary general meeting of the Company held on 30 December 2014, completing the re-election of the Board.

As at 31 December 2014, the sixth session of the Board was composed of 13 Directors, including two executive Directors, namely Mr. Wang Kaiguo and Mr. Qu Qiuping; six non-executive Directors, namely Mr. Zhuang Guowei, Mr. Chen Bin, Mr. Xu Chao, Mr. Wang Hongxiang, Ms. Zhang Xinmei and Mr. He Jianyong; five independent non-executive Directors, namely Mr. Liu Cheeming, Mr. Xiao Suining, Mr. Li Guangrong, Mr. Lyu Changjiang and Mr. Feng Lun. The Directors were all elected by the shareholders at the general meeting of the Company for a term of three years, which are subject to re-elections.

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

(II) Changes in Supervisors

On 26 August, 2014, the Proposal on Re-election of Supervisory Committee of the Company was considered and approved at the fifteenth meeting of the fifth session of the Supervisory Committee. The proposal has been approved at the 2014 first extraordinary general meeting of the Company held on 30 December 2014, completing the re-election of Supervisory Committee.

As at 31 December 2014, the sixth session of the Supervisory Committee was composed of eleven Supervisors, including four employee Supervisors, namely, Mr. Yang Qingzhong, Ms. Qiu Xiaping, Ms. Wang Meijuan and Ms. Hu Hairong; seven non-employee Supervisors, namely Mr. Lilin, Mr. Dong Xiaochun, Mr. Cheng Feng, Mr. Chen Huifeng, Mr. Feng Huang, Mr. Xu Qi 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 are subject to re-elections.

(III) Changes in senior management

On 28 March 2014, the Proposal on the Resignation of Mr. Li Mingshan as the Director and General Manager of the Company was considered and approved at the twenty-fourth meeting of the fifth session of the Board. Mr. Li Mingshan no longer acted as the general manager of the Company as he had reached the age of retirement. At the same time, the Proposal on Appointment of Mr. Qu Qiuping as the General Manager of the Company was considered and passed and it was agreed that Mr. Qu Qiuping was appointed as the general manager of the Company. His qualification of serving as the general manager of the Company has also been approved by the regulatory authorities and effective on 25 June 2014.

On 4 June 2014, the Company issued an Announcement on Mr. Wu Bin's Resignation as Deputy General Manager of Haitong Securities Company Limited. Mr. Wu Bin has resigned as the deputy general manager of the Company due to reappointment.

On 30 December 2014, the first meeting of the sixth session of the Board has considered and approved the following proposals: Proposal on Appointment of General Manager, Proposal on Appointment of Deputy General Manager, Proposal on Appointment of Chief Financial Officer, Proposal on Appointment of Secretary to the Board, Proposal on Appointment of Chief Risk Control Executive and General Compliance Officer and Proposal on Appointment of Assistant to General Manager.

As at 31 December 2014, the senior management of the Company was composed of 13 members, namely, Mr. Qu Qiuping, Mr. Ji Yuguang, Mr. Ren Peng, Mr. Li Xunlei, Mr. Hiroki Miyazato, Mr. Pei Changjiang, Mr. Wang Jianye, Mr. Li Chuqian, Mr. Jin Xiaobin, Mr. Li Jianguo, Mr. Chen Chunqian, Mr. Zhang Xiangyang and Mr. Lin Yong.

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

The Company has 496 senior professional technicians and 17 left in 2014. The minor change in its core technical team has no material impact on the Company's operation and core competitiveness.

SECTION VIII 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	5,036
Number of existing employees of major subsidiaries	2,428
Total number of existing employees	7,464
Total number of retired workers the Company and its principal subsidiaries should bear costs for	0

Professional	
Professional type	Number of persons
Research	220
Investment banking	503
Brokerage business	4,019
Asset management	162
Securities investment/Direct investment	125
Information technology	465
Finance and planning	518
Futures business	282
Risk-management compliance/Auditing	221
Administrative	406
Finance lease	543
Total	7,464

Educational Background	
Education level	Number of persons
Doctor's degree	113
Master's degree	1,704
Bachelor's degree	4,463
Junior college graduate and below	1,184
Total	7,464

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

(II) Remuneration Policy

As at the end of the Reporting Period, the Group had 7,464 employees, of whom 5,036 were from the Company, and 2,428 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 for employees in accordance with applicable regulations.

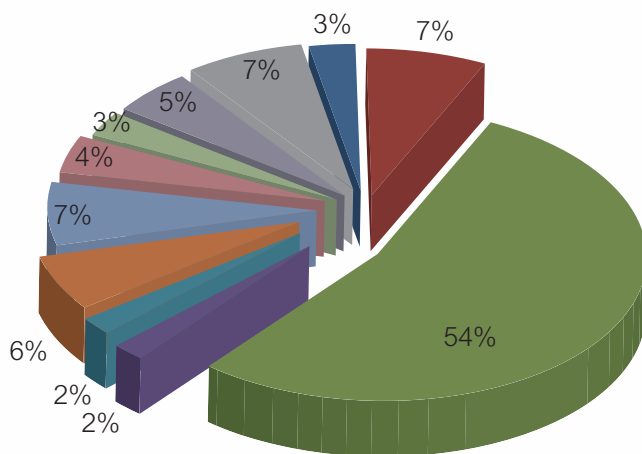
(III) Training Plan

Strictly in alignment with the Company's target and mission for development of "Intensifying Reform, Innovation and Restructuring, and Accelerating the Pace of Growing into an International Investment Bank", we further improved our training system and carried out training timely in 2014, on the premise of deepening foundation work and emphasizing requirement investigation, to fit our business restructuring. During the year, the Company held a total of 26 face-to-face coaching in various types with training attendance of 1,862, among which, 207 employees were selected to attend the trainings organized by external professional institutes (3 people were sent to overseas training); 23 web-based trainings and tests were organized with 11,014 participants; 60 internal courses and test banks were newly developed, with one course updated.

In 2015, we will keep on innovating our training method and gathering every internal resource to organize a quality team of internal trainers, to carry out training in various types to cope with the Company's development requirements, and to establish learning organizations.

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

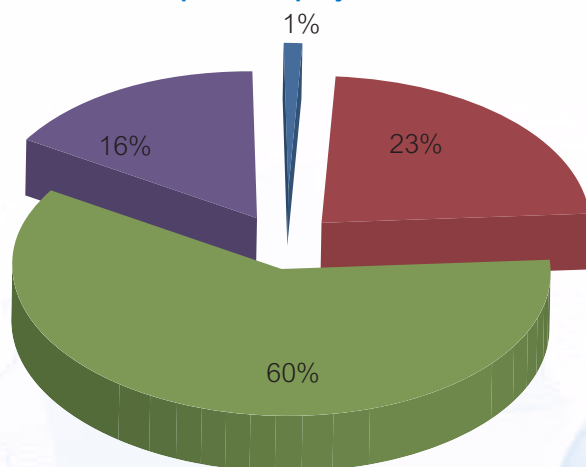
(IV) Statistical Graph of Employees' Profession



Professional

- Research
- Investment banking
- Brokerage business
- Asset management
- Securities investment/Direct investment
- Information technology
- Finance and planning
- Futures business
- Risk-management compliance/Auditing
- Administrative
- Finance lease

(V) Statistical Graph of Employees' Education



Educational background

- Doctor's degree
- Master's degree
- Bachelor's degree
- Junior college graduate and below

(VI) Particulars about Labor Outsourcing

Total labor hours involved in labor outsourcing

670,248 hours

Total compensation paid for labor outsourcing

RMB12,238,614.60

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

(VII) Conditions of Commissioning Brokers Engaging in Soliciting Customers and Servicing Customers

The year 2014 is the sixth year for the Company to acquire the securities brokerage qualification. In accordance with verification opinions and internal systems regulated in the 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 the Reporting Period, the Company has already had 245 securities business departments (increased by 70 compared to the same period of last reporting period) having obtained approval from local CSRC and has got qualifications to do securities broker business. Totally there are 5,338 securities brokers, among which, 5,064 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, checking on-site information disclosed by the business department and calling 95553 unified customer service telephones. The Company has established risk monitoring platform to monitor, give early warning and track the transaction of broker's customers so as to effectively control brokerage risk. 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 is subject to the management, coordination, supervision and inspection under the corporate headquarter. Securities business department will pay a return visit to customers on a regular basis to understand the particulars of broker's practice through face-to-face talk, phone calls, letters or other ways. In 2014, 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 IX 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 the two places of its listing, Mainland China and Hong Kong, and is dedicated to maintaining and promoting its goodwill on the market. Pursuant to the PRC Company Law, the Securities Law of the PRC, relevant regulations of the CSRC, Hong Kong 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, and 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 Guidelines for Articles of Association of Listed Companies (Zheng Jian Hui Gong Gao [2014] No. 19) and Rules of Procedures of the General Meeting (Zheng Jian Hui Gong Gao [2014] No. 20) issued by CSRC and its actual conditions, the Company amended relevant articles in the Articles of Association and Rules of Procedures of the General Meeting, which further improved the mechanism of voting by poll in a general meeting and the decision-making procedures and mechanisms of profit distribution and effectively safeguarded the legal rights of the shareholders.

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.

During the Reporting Period, the Company convened 31 meetings in total, including two general meetings, eleven 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.

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(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 Company;
- (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 Company 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 Company's compliance with the Code and the disclosure in Corporate Governance Report.

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II. GENERAL MEETINGS

During the Reporting Period, on 27 May 2014, the Company held 2013 annual general meeting of shareholders in Shanghai Mingde Grand Hotel and eight ordinary resolutions were considered and passed, including Company's 2013 Annual Work Report of the Board, 2013 Annual Work Report of the Supervisory Committee, 2013 Annual Report, 2013 Annual Financial Report, 2013 Annual Plan of Profit Distribution, Resolution on Reappointment of Certified Public Accountant, Proposal on the Asset Allocation of Equities, Fixed Income and Derivatives Investment in 2014, and Resolution on Appointment of Mr. Qu Qiuping as the Director of the Company; and four special resolutions were considered and passed, including Resolution on the Scale of Customer-oriented Financing Operations, Resolution 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, Resolution on Establishing a Share Option Incentive Scheme for UT Capital Group, Resolution on the Company's Participation in Options Business, 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 28 May 2014.

On 30 December 2014, the Company's first extraordinary general meeting of 2014 was held at Shanghai Mingde Grand Hotel, and two ordinary resolutions, Resolution on the Re-election of the Board Committee and Resolution on the Re-election of the Supervisory Committee were considered and passed, and one special resolution, Proposal on the Modification of Articles of Association and Rules of Procedures of the General Meeting, was considered and passed. 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 and Securities Times on 31 December 2014.

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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 to 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 VIII “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 Hong Kong 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 Hong Kong 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 Hong Kong Listing Rules. Therefore, the Company believes that each independent non-executive Director is independent as specified in the Hong Kong 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 resolutions 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 resolutions 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.

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Name of Director	Independent Non-executive Director	Number of meetings this year	Attendance at the Board meetings				Attendance at the general meetings	
			Attendance in person	Attendance by communication		Absence	Attendance at general meetings	
				Attendance by equipment	Attendance by proxy			Absence from two consecutive meetings
Wang Kaiguo (re-elected)	No	11	11	5	0	0	No	2
Qu Qiuping (re-elected)	No	7	7	3	0	0	No	1
Zhuang Guowei (re-elected)	No	11	11	5	0	0	No	2
Xu Chao (re-elected)	No	11	11	5	0	0	No	1
Wang Hongxiang (re-elected)	No	11	11	5	0	0	No	1
He Jianyong (re-elected)	No	11	9	6	2	0	No	2
Liu Cheeming (re-elected)	Yes	11	11	8	0	0	No	1
Xiao Suining (re-elected)	Yes	11	10	6	1	0	No	1
Chen Bin (the sixth session)	No	1	1	0	0	0	No	0
Zhang Xinmei (the sixth session)	No	1	1	0	0	0	No	0
Li Guangrong (the sixth session)	Yes	1	1	0	0	0	No	0
Lyu Changjiang (the sixth session)	Yes	1	1	0	0	0	No	0
Feng Lun (the sixth session)	Yes	1	1	0	0	0	No	0
Li Mingshan (the fifth session)	No	2	1	1	1	0	No	0
Feng Huang (the fifth session)	No	10	9	5	1	0	No	2
Zhou Donghui (the fifth session)	No	10	10	5	0	0	No	1
Zhang Jianwei (the fifth session)	No	10	10	6	0	0	No	1
Li Gewei (the fifth session)	No	10	8	8	2	0	No	0
Xia Bin (the fifth session)	Yes	10	9	6	1	0	No	1
Chen Qiwei (the fifth session)	Yes	10	10	6	0	0	No	1
Zhang Huiquan (the fifth session)	Yes	10	9	5	1	0	No	0
Zhang Ming (the fifth session)	Yes	10	10	6	0	0	No	2
Dai Genyou (the fifth session)	Yes	10	10	7	0	0	No	1

Number of Board meetings convened during the year	11
Including: Number of meetings held onsite	2
Number of meetings held by communication equipment	5
Number of meetings held onsite and by means of communication equipment simultaneously	4
Number of general meeting held during the year	2

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

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(II) Particulars of the Board Meeting

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

1. On 28 January 2014, the twenty-third meeting of the fifth session of the Board was held through voting by correspondence, in which Proposal on the Commencement of Proprietary Trading of Individual Stock Option, Market-making Business and Determination of the Scale of Business, and Proposal on the Asset Allocation of Equities, Fixed Income and Derivatives Investment in 2014 were considered and passed.
2. On 28 March 2014, the twenty-fourth meeting of the fifth session of the Board was held onsite, in which the Company's 2013 Annual Report, 2013 Annual Financial Report, Proposal on Change of Accounting Policies and Adjustment to the Presentation of Items of Financial Statements, 2013 Annual Plan of Profit Distribution, Report on the Use of H Share Fund-raising in 2013, Report on Evaluation of the Company's 2013 Annual Internal Control, 2013 Annual Compliance Report of the Company, Proposal on Reappointment of Certified Public Accountant, Report on Performance of Duties of the Audit Committee in 2013, 2013 Annual Work Statement of the Board of the Company, 2013 Annual Work Report of the Independent Directors, Report on 2013 Annual Corporate Social Responsibility, Proposal on Formulation of Administrative Measures on Remuneration and Performance Appraisal for Senior Management of Haitong Securities Co., Ltd., Proposal on 2013 Annual Business Performance Evaluation and Assessment and Motivation of the Operation Team, Proposal on Increasing Capital in Shanghai Haitong Securities Asset Management Co., Ltd., Proposal on Establishing a Share Option Incentive Scheme for UT Capital Group, 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, Resolution on the Resignation of Mr. Li Mingshan as the Director and General Manager of the Company, Proposal on Participation in the Comprehensive Rural Support Work, Proposal on Formulation of Administrative Measures on Comprehensive Risk Management of Haitong Securities Co., Ltd. (Trial) and Administrative Measures on Liquidity Risk Management of Haitong Securities Co., Ltd. (Trial), and Proposal on Convening 2013 Annual General Meeting of Shareholders were considered and passed.
3. On 11 April 2014, the twenty-fifth meeting of the fifth session of the Board was held through voting by correspondence, in which Proposal on the Company's Participation in Options Business was considered and passed.
4. On 29 April 2014, the twenty-sixth meeting of the fifth session of the Board was held onsite and by communication equipment, in which Report on the First Quarter of 2014 was considered and passed.
5. On 25 July 2014, the twenty-seventh meeting of the fifth session of the Board was held through voting by correspondence, in which Resolution on Change of Joint Company Secretary was considered and passed.

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6. On 26 August 2014, the twenty-eighth Meeting of the Fifth Session of the Board was held onsite and by communication equipment, in which the Board considered and passed Company's Interim Report of 2014, Proposal on Change of Accounting Policies of the Company, Company's Interim Compliance Report of 2014, Proposal on the Modification of Articles of Association and Rules of Procedures of the General Meeting, Proposal on the Re-election of the Board Committee, Proposal on Amendment to the Administrative Measures on Subsidiaries of Haitong Securities Co., Ltd., Proposal on Appointment of Related Party as the Insurance Intermediary Institution for Liabilities Insurance on the Directors, Supervisors and Senior Management of the Company, Proposal on Matters related to Risk Management, and Proposal on Convening the First Extraordinary General Meeting of 2014 of the Company.
7. On 28 October 2014, the twenty-ninth meeting of the fifth session of the Board was held onsite and by communication equipment, in which Report on the Third Quarter of 2014 and Proposal on Issuing Short-term Corporate Bonds of Securities Companies by the Company were considered and passed.
8. On 18 November 2014, the thirtieth meeting of the fifth session of the Board was held through voting by correspondence, in which Proposal on Participating in the Establishment of E-Capital Transfer Co. Ltd (證通公司) was considered and passed.
9. On 7 December 2014, the thirty-first meeting of the fifth session of the Board was held through voting by correspondence, in which Resolution on Acquisition of BESI by Haitong International Holdings Limited, the Company's wholly-owned subsidiary and Proposal on Providing Financing Guarantee to Subsidiaries were considered and passed.
10. On 19 December 2014, the thirty-second meeting of the fifth session of the Board was held onsite and by communication equipment, in which Proposal on Issue of New H Shares by the Company, Proposal on Report on Use of Proceeds from Previous Fund Raising Activity of the Company, Proposal on Amendments to the Articles of Association, Proposal on Increase in Quota of External Guarantee, Proposal on the Scale of Customer-oriented Financing Operations, Proposal on Investment Asset Allocation of Equity, Fixed Income Securities and Derivative Products for the Year 2015, Proposal on the Company's Capital Planning for the Next Three Years, Proposal on General Mandate to Issue Other Onshore Debt Financing Instruments, Proposal on Further Enlarging the Company's Business Scope of Foreign Exchange Transaction, Proposal on Making Capital Contribution to China Securities Capital Market Development Monitoring Centre Company Limited, Proposal on Change of Provision Standards of Bad Debt of Financing Business of the Company, and Proposal on Convening the First Extraordinary General Meeting of 2015, the First A Shareholders' Class Meeting of 2015 and the First H Shareholders' Class Meeting of 2015 were considered and passed.

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11. On 30 December 2014, the first meeting of the sixth session of the Board was held on site, in which Proposal on Election of the Chairman, Proposal on Amendments to Work Rules for the Development Strategy and Investment Management Committee and Work Rules for the Compliance and Risk Control Committee, Proposal on Electing Members and Chairman of Development Strategy and Investment Management Committee, Proposal on Electing Members and Chairman of Nomination and Remuneration Assessment Committee, Proposal on Electing Members and Chairman of Compliance and Risk Control Committee, Proposal on Electing Members and Chairman of Audit Committee, Resolution on Appointment of the General Manager, Resolution on Appointment of the Deputy General Manager, Resolution on Appointment of the Chief Financial Officer, Resolution on Appointment of the Board Secretary, Resolution on Appointment of the Chief Risk Officer and General Compliance Officer, and Resolution on Appointment of the Assistant to the General Manager were 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 2014 of Independent Directors of Haitong Securities Co., Ltd. disclosed by the Company on the website of the Shanghai Stock Exchange on 27 March 2015 sets 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 other major business and administrative issues of the Company and supervising the management.

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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 organizing 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 authorizations. Mr. Wang Kaiguo serves as the Chairman and Mr. Qu Qiuping 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. Qu Qiuping is mainly 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.

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3. *Term of Office of Non-executive Directors*

Non-executive 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 VIII of this Report.

5. *Directors' Training*

The Company highly emphasizes the continuous training for Directors to ensure that Directors have adequate knowledge of the Company's 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 participated in the regular trainings organized by local regulatory authorities to complete continued trainings as required.. The office of the Board of the Company also 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 an information exchange platform to strengthen information sharing and exchange among Directors, Supervisors and the management and improve Directors' duty performance capability. Apart from that, trainings for Directors are specified as follows:

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Name of Director	Date	Duration	Organizer	Contents	Place
Wang Hongxiang	11 October 2014	24 hours	Shanghai Municipal Finance Bureau	Senior Accountant Training	Shanghai
Zhang Xinmei	11 June 2014	48 hours	National Accounting Institute	Continued Education for Senior Accountant	Shanghai
He Jianyong	18 February 2014	2 months	The Organization Department of Provincial Committee of the Communist Party	Advanced Course for Cadres of bureau-level	Communist Party School of Liaoning Province
	15 July 2014	4 days	Shanghai University of Finance and Economics	Financial Course for Senior Management	Beijing
Zhou Donghui	22 April 2014	40 hours	Shanghai National Accounting Institute	Finance and Auditing Training	Shanghai
	9 October 2014	24 hours	Shanghai Municipal Finance Bureau	Senior Accountant Training	Shanghai
Zhang Jianwei	9 December 2014	2 days	CSRC Shanghai Branch	Trainings for Directors and Supervisors of Listed Companies 2014	Shanghai
Feng Huang	10 May 2014	8 days	Business School of Shanghai University of Finance and Economics	Elective Topics Training for Cadre of Shanghai City	Shanghai
Zhang Huiquan	April 2014	24 hours	Shanghai Stock Exchange	Independent Director Training	Nanjing
Liu Cheeming	2 April 2014	2 hours	The Chamber of Hong Kong Listed Companies	The Chamber of Hong Kong Listed Companies Director Training Series 2014 – Corporate Governance and Business Review	Hong Kong
	10 April 2014	1 hour	Ashurst	The Rise of Backdoor Listings	Hong Kong
	19 June 2014	3.5 hours	Securities and Futures Commission	Securities and Futures Commission Takeover Panel Meeting	Hong Kong
	27 June 2014	1.5 hours	South China Morning Post Group	Comprehensive Housing Policy	Hong Kong
	17 July 2014	2 hours	The Chamber of Hong Kong Listed Companies	The Chamber of Hong Kong Listed Companies Director Training Series 2014 – Notifiable Transactions, Reverse Takeover, Spin-off, Model Code for Securities Transactions by Directors of Listed issuers and Disclosure of Interest	Hong Kong
	1 December 2014	2 hours	Institute of Professional Education And Knowledge	MPF Information Review & Updates	Hong Kong

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

(I) Special Committees of the Board and their Members

- 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), Xiao Suining, Chen Qiwei, Zhuang Guowei and Zhang Jianwei
 2. Compliance and Risk Control Committee: Zhang Huiquan (chairman), (Li Mingshan) Qu Qiuping, Dai Genyou, Zhou Donghui and Feng Huang
 3. Nomination and Remuneration Assessment Committee: Xia Bin (chairman), Xiao Suining, Zhang Ming, Dai Genyou, Li Gewei, He Jianyong and Liu Cheeming
 4. Audit Committee: Zhang Ming (chairman), Chen Qiwei, Dai Genyou, Zhang Huiquan, Zhou Donghui, Xu Chao and Wang Hongxiang

Note: On 28 March 2014, the twenty-fourth meeting of the fifth session of the Board passed the Proposal on Mr. Li Mingshan's Resignation as Director and General Manager of the Company and appointed Mr. Qu Qiuping as a candidate of the general manager and a Director of the Company. The 2013 annual general meeting held on 27 May 2014 passed the Proposal on Election of Mr. Qu Qiuping as Director of the Company, thus Mr. Qu Qiuping became a member of the fifth session of the Board and a member of the Compliance and Risk Control Committee of the Company.

- The sixth session of the Board of the Company sets up four special committees, with various committees and members set out as follows:

On 30 December 2014, the Company held the first extraordinary general meeting of 2014, which passed the Proposal on Re-election of the Board of the Company, and on the same day, held the first meeting of the sixth session of the Board, which passed the relevant proposals on election of members and chairmen of four special committees, with various committees and members set out as follows:

1. Development Strategy and Investment Management Committee: Wang Kaiguo (chairman), Liu Cheeming, Xiao Suining, Li Guangrong, Zhuang Guowei, Chen Bin and Xu Chao
2. Compliance and Risk Control Committee: Xiao Suining (chairman), Liu Cheeming, Feng Lun, Qu Qiuping, Chen Bin and Zhang Xinmei

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3. Nomination and Remuneration Assessment Committee: Li Guangrong (chairman), Liu Cheeming, Xiao Suining, Lyu Changjiang, Zhuang Guowei, Wang Hongxiang and He Jianyong
4. Audit Committee: Lyu Changjiang (chairman), Liu Cheeming, Li Guangrong, Feng Lun, Zhang Xinmei, Xu Chao and Wang Hongxiang

(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 of Directors" which was published on the websites of the Company and the Hong Kong Stock Exchange.

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

- The first 2014 meeting of the Compliance and Risk Control Committee of the fifth session of the Board convened on 27 March 2014 considered and approved Compliance Report 2013 of the Company, Risk Assessment Report 2013 of the Company, Internal Control Evaluation Report 2013 of the Company and the Proposal on Formulation of the Administrative Measures for Comprehensive Risks of Haitong Securities Co., Ltd. and the Administrative Measures for Liquidity Risks of Haitong Securities Co., Ltd.
- The second 2014 meeting of the Compliance and Risk Control Committee of the fifth session of the Board convened on 25 August 2014 considered and approved Compliance Report for the First Half of 2014 of the Company, Risk Assessment Report for the First Half of 2014 of the Company and the Proposal on Relevant Matters concerning Risk Management of the Company.

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

<u>Name</u>	<u>Number of actual attendances/number of scheduled attendances</u>
Zhang Huiquan	2/2
Dai Genyou	1/2
Li Mingshan	0/1
Zhou Donghui	2/2
Feng Huang	1/2
Qu Qiuping	1/1

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 other 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.

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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 2014 for the Company. The audit work in 2014 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 as 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 2014 convened on 13 January 2014 listened to the Chief Financial Officer's brief financial report of 2013 of the Company, discussed with the Certified Public Accountants to formulate the annual audit work plans, and reviewed the financial statement of 2013 (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 2014 convened on 27 March 2014, considered and approved Financial Report and Special Report 2013 of the Company (Audited or Reviewed Draft), the Proposal on Changes in Accounting Policies and Adjustments in Presentation Items of Financial Statements of the Company, Opinions of the Audit Committee under the Board of the Company on the Certified Public Accountants' Engagement in Audit Work for the Year, Proposal on Reappointment of the Certified Public Accountants, Self-evaluation Report on Internal Control of the Company in 2013 and the Report on Performance of Duties of Audit Committee under the Board of the Company in 2013. In this meeting, the Board debriefed the Company's Report on Annual Financial Accounts in 2013 and Report on Annual Preliminary Audit Results of Certified Public Accountants in 2013.
- The third meeting of the fifth session of the Audit Committee under the Board in 2014 convened on 28 April 2014 (by means of telecommunications) considered and approved Report for the First Quarter of 2014 of the Company.
- The fourth meeting of fifth session of the Audit Committee under the Board in 2014 convened on 25 August 2014 considered and approved Financial Report for the First Half of 2014 of the Company (A+H), the Proposal on Changes in Accounting Policies and the Proposal on Appointing the Related Party as the Sales Institution of Liability Insurance of Directors, Supervisors and Senior Management of the Company and listened to Financial Description for the First Half of 2014 of the Company.

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- The fifth meeting of fifth session of the Audit Committee under the Board in 2014 convened on 27 October 2014 (by means of telecommunications) considered and approved Report for the Third Quarter of 2014 of the Company.
- 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	4/5
Dai Genyou	4/5
Chen Qiwei	5/5
Zhou Donghui	5/5
Xu Chao	5/5
Wang Hongxiang	5/5

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 24 January 2014, the Company held the first meeting in 2014 of Development Strategy and Investment Management Committee under the fifth session of the Board by means of telecommunications which considered and passed the Proposal on Implementation of Share Option Proprietary and Market-making Businesses and Confirmation of Business Scale, the Proposal on Allocation of Equity, Fixed-income and Derivative Investment Assets of the Company in 2014 and the Proposal on the Scale of Customer-oriented Financing Operations.
- On 24 August 2014, the Company held the second meeting in 2014 of Development Strategy and Investment Management Committee under the fifth session of the Board (by means of telecommunications) which considered and passed the Proposal on the Amendment to Administrative Measures for Subsidiaries of Haitong Securities Co., Ltd.

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

Name	Number of actual attendances/number of scheduled attendances
Wang Kaiguo	2/2
Zhuang Guowei	2/2
Zhang Jianwei	2/2
Chen Qiwei	2/2
Xiao Suining	2/2

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 fulfill their duties, evaluate their annual 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.

SECTION IX CORPORATE GOVERNANCE

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

- On 27 March 2014, the Company held the first meeting in 2014 of the Nomination, Remuneration and Assessment Committee of the fifth session of the Board. The committee listened to the Report on 2013 Business Operation and 2014 Business Plan of the Company, and considered and approved the Proposal on 2013 Annual Business Performance Assessment and Appraisal of and Incentive for the Operation Team of the Company, the Proposal on Developing Administrative Measures on Remuneration and Performance Appraisal for Senior Management of Haitong Securities Co., Ltd., the Resolution on Appointment of Mr. Qu Qiuping as the General Manager of the Company and the Proposal on Operating a Share Option Incentive Scheme for UT Capital Group.
- On 24 August 2014, the second meeting in 2014 of the Nomination, Remuneration and Assessment Committee of the fifth session of the Board was convened to consider the Proposal on the Re-election of the Board of Directors of the Company.

During the Reporting Period, attendance of members of the Nomination, Remuneration and Assessment Committee are as follows:

<u>Name</u>	<u>Number of actual attendances/number of scheduled attendances</u>
Xia Bin	2/2
Zhang Ming	2/2
Liu Cheeming	1/2
Dai Genyou	2/2
He Jianyong	2/2
Li Gewei	1/2
Xiao Suining	2/2

SECTION IX CORPORATE GOVERNANCE

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	6	6	0	0	0	No
Li Lin	6	5	0	1	0	No
Dong Xiaochun	6	5	0	1	0	No
Cheng Feng	1	0	0	1	0	No
Feng Huang	1	1	0	0	0	No
Hu Jingwu	6	6	0	0	0	No
Xu Qi	6	5	0	1	0	No
Chen Huifeng	1	1	0	0	0	No
Qiu Xiaping	6	5	0	1	0	No
Wang Meijuan	1	1	0	0	0	No
Hu Hairong	1	1	0	0	0	No
Jin Yanping	5	5	0	0	0	No
Wu Zhilin	5	4	0	1	0	No
Xing Jianhua	5	5	0	0	0	No
Wang Yimin	5	2	0	3	0	No
Du Hongbo	5	3	0	2	0	No

The voting results of the deliberation on the proposals by the Supervisory Committee were agreed by all Supervisors, with no waiver and opposition.

(II) Meetings of the Supervisory Committee

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

1. On 28 March 2014, the thirteenth meeting of the fifth session of the Supervisory Committee was convened on site. In this meeting, 2013 Annual Report of the Company, Proposal on Changes in Accounting Policy of the Company and Adjustments of items listed in Financial Statement, Evaluation Report on the Company's 2013 Annual Internal Control, 2013 Annual Compliance Report of the Company, as well as 2013 Annual Work Report of the Supervisory Committee of the Company were considered and passed.
2. On 29 April 2014, the fourteenth meeting of the fifth session of the Supervisory Committee was convened on site. In this meeting, the First Quarterly Report for the Year 2014 of the Company was considered and passed.

SECTION IX CORPORATE GOVERNANCE

3. On 26 August 2014, the fifteenth meeting of the fifth session of the Supervisory Committee was convened on site. In this meeting, the Company's 2014 Interim Report, Proposal on Changes in Accounting Policy of the Company, the Company's 2014 Interim Compliance Report, as well as Proposal on New Session of Supervisors were considered and passed.
4. On 28 October 2014, the sixteenth meeting of the fifth session of the Supervisory Committee was convened on site. In this meeting, the Third Quarterly Report for the Year 2014 of the Company was considered and passed.
5. On 19 December 2014, the seventeenth meeting of the fifth session of the Supervisory Committee was convened on site. In this meeting, Proposal on Standard of Making Provision for Bad Debts for Financing Business of the Company was considered and passed.
6. On 30 December 2014, the first meeting of the sixth session of the Supervisory Committee was convened on site. In this meeting, Proposal on Electing of Vice Chairman of the Supervisory Committee 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.

1. Business Independence

According to the PRC Company 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 of the Company's operational procedures or in interference with the Company's internal management and operational decision-making.

SECTION IX CORPORATE GOVERNANCE

2. 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 holds 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 PRC Company Law, the PRC Securities Law and the 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.

3. 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.

4. 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.

5. 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.

SECTION IX CORPORATE GOVERNANCE

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

The Company considered and approved the Administrative Measures on Remuneration and Performance Appraisal for Senior Management of Haitong Securities Co., Ltd. (the “Measures”) at the twenty-fourth meeting of the fifth session of the Board. The Measures established an overall remuneration and performance appraisal system for the senior management, by linking the benefits of the senior management with that of the shareholders, and based on the aim of creating long-term value for the shareholders. The Measures also established a performance-oriented remuneration and performance appraisal system with both long-term and short-term objectives, promoting the marketization of the remuneration and rewarding system and maintaining its competitive advantages in the industry. According to the Measures, the Board will consider the annual performance appraisal and related awards for senior management upon the end of a financial year.

VIII. OTHER RELATED MATTERS

(I) Company secretary

Mr. Jin Xiaobin and Ms. Lam Wai Yee Sophie are Joint Company Secretaries of the Company. Ms. Lam Wai Yee Sophie (a vice president of SW Corporate Services Group Limited (the “SWCS”)) 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 the Listing Rules, Mr. Jin and Ms. Lam have both received no less than 15 hours of relevant professional training up to 31 December 2014.

(II) Compliance with codes on securities transaction

The Company has adopted the Model Code as the code for all Directors and Supervisors to conduct securities transaction of the Company. Upon inquiry, all Directors and Supervisors of the Company confirmed that they had strictly observed standards specified in the Model Code during the Reporting Period. 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 the 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 X of this Report for details.

SECTION IX CORPORATE GOVERNANCE

(IV) Auditor and its Remuneration

Deloitte Touche Tohmatsu and BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) were appointed as auditors respectively for the financial statements of the year ended 31 December 2014 prepared in accordance with the IFRS and the PRC GAAP. During the period covered by this Report, there was no occurrence of disagreement from the Board to the opinions of selection and appointment of external auditor from the Audit Committee. Please refer to section “IX. Appointment and Dismissal of Accounting Firms” of Section V of this Report for the details of their remuneration.

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

The Board acknowledged its responsibility of preparing the Annual Report for the year ended 31 December 2014 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 appropriate 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 to directly express any concerns to the Board or the management. Usually, the chairman of the Company, the chairmen of respective committees and the management would attend annual general meetings and other general meetings to answer questions put forward by shareholders.

SECTION IX CORPORATE GOVERNANCE

Shareholders may convene an extraordinary general meeting and make proposals on the general 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.

The Board will be arranged to attend the Company's 2014 annual general meeting to answer shareholders' enquiries.

Detailed procedures of voting and resolutions to be voted by way of poll will be published on the website of Shanghai Stock Exchange (for A Shares) or contained in the circular to be dispatched 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, semi-annual and annual road shows and e interactive platform launched by Shanghai Stock Exchange etc. During 2014, the Company received plenty of surveys and visits from domestic and foreign institutions and analysts. In particular, the Company participated in 19 strategic meetings/annual meetings organized by third-party institutions and 12 teleconferences, hosted 24 on-site surveys from domestic and foreign institutions, and received more than 500 investors on phone or on site. Board Secretary of the Company, together with dedicated personnel, would arrange performance presentations for the press and telephone conferences for global fund managers and analysts on the date of publishing the Company's annual reports and interim reports and also on the next day, and would arrange global road shows, to facilitate prompt interactive question and answer with investors and further reinforce our communication with investors (shareholders) and potential investors. Meanwhile, the Company also attaches great importance to the prompt interpretation of its major strategic approaches to the market, to clear up doubt of investors in a timely manner. For example, a press conference as well as a telephone conference for analysts were held in a timely manner upon the publication of the announcements relating to the issuance of H Shares and its acquisition of BES1, enhancing the transparency of the Company.

(VIII) Other matters to be reported

Pursuant to the requirements regarding board diversity in the Listing Rules, the company formulated the Policy on Board Diversity of Haitong Securities Co., Ltd., 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 extraordinary general meeting held on 30 December 2014. Please refer to the circular of extraordinary general meeting dated 11 November 2014 published at the websites of the Hong Kong Stock Exchange for the details of amendments.

SECTION X 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 Basic Standards for Enterprise Internal Control and deemed it valid as at 31 December 2014.

(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 and 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 to 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, strategy and development department, 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 conducting a review on the implementation of regulations and conducting front-line supervision on business risk.

SECTION X 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 operational control, the Company formulated or revised various measures to improve systems, such as the Administrative Measures on Securities Customer Funds Third-party Escrow Single Customer Multi-bank Services (Revision), the Administrative Measures on Securities Brokers, the Implementing Plan of Appropriate Management for Investors in Bond Market, the Administrative Measures on Evaluating Financial Products Agency Businesses, the Provisions of Underwriting Business, the Administrative Measures on Securities Issuance Bookkeeping, the Administrative Measures on Proprietary Business Systems for Equity Security and its Derivatives, the Rules of Offline Investors on IPOs, the Administrative Measures on Securities Investment Fund Custody Business, the Administrative Measures on Risk Reserve for Securities Investment Fund, the Operation Procedure for Bulk Transactions of Shenzhen Credit Accounts (Trail Implementation), the Implementation Measures of Emergency Response, the Implementing Plan of Risk Warning and Suspending the Appropriateness of Investors for Bond Listing, and the Administrative Measures on Valuation and Auditing Services.

In respect to risk management, the Company formulated various measures to improve systems, such as the Administrative Measures on Overall Risk of Management (Trial Implementation), the Administrative Measures on Liquidity Risk Management (Trial Implementation), the Administrative Measures on Contingency Plan for Liquidity Risk, and the Administrative Measures on Daytime Liquidity and Risk.

In respect to funds management and financial management, the Company formulated or revised various measures to improve the systems such as the Administrative Measures on Calculating Fair Value of Financial Instruments (Trial Implementation), the Administrative Measures on Funds for Share Transfer System of National SMEs.

In respect to information system control, the Company formulated or revised various measures to improve systems such as Contingency Plans for Network and Information Safety, the Administrative Measures on Trading Systems of International Business Segment, and the Administrative Measures on Zheng Baotong Business (Trial Implementation).

SECTION X INTERNAL CONTROL

2 *Innovative Business Management*

The Company established the assessment and review mechanism for innovative business to conduct adequate assessment and demonstration on its compliance, feasibility and risk in the preparatory stages, and formulated relevant management systems, operational processes and risk control measures as well as measures to protect the customers' legitimate rights and interests etc.

The Company formulated appropriate management system and risk control programs at the early stage of its innovative business, primarily including the Operating Rules of Share Transfer System for Market Making Business of National SMEs (Trail Implementation), the Administrative Measures on Risk Management and Compliance for Share Transfer System for Market Making Business of National SMEs (Trail Implementation), the Administrative Measures on Appropriateness of Investors of Share Transfer Business of National SMEs (Trail Implementation), the Administrative Measures on Engaging in Proprietary Spot Gold Contract Business, the Administrative Measures on Gold Leasing Business, the Administrative Measures on Beneficiary Certificate Business (Trail Implementation), the Administrative Measures on Repurchase of Pledged Securities Business, the Administrative Measures on Trading of Hong Kong Stocks, the Administrative Measures on "Quick Financing" Business (Trail Implementation), the Administrative Measures on Online Accounts Opening Business, the Administrative Measures on Investment Consultation Products Business (Trail Implementation), the Implementation Rules of Investment Consultation Products Business (Trail Implementation), the Guidance Opinions on New Online Operation, the Interim Administrative Measures on Assets Transaction of Financial Institutions.

With the further development of its innovative business, the Company has established certain special purpose subsidiaries. In order to enhance the management of these special purpose subsidiaries, the Company revised the Administrative Measures on Management of Subsidiaries, including these special purpose subsidiaries into the management system of subsidiaries of the Company, and prescribing specific provisions for their forms of establishment, procedure of review and approval, appointment method of directors, terms of reference of directors, rules of procedure of significant issues and ordinary auditing.

SECTION X INTERNAL CONTROL

(IV) Basis of Building Internal Control over Financial Reporting

The establishment of internal control over financial reporting is based on documents such as Basic Standards 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 such financial accounting management systems as the Administrative Measures on the Measurement of the Fair Value of Financial Instruments (Trial Implementation) and the Administrative Measures on Funds for Share Transfer System of National SMEs and other internal control systems, in strict accordance with the PRC Company Law, PRC Accounting Law, Accounting Standard for Business Enterprise, Standardization of Basic Work of Accounting, Financial Rules of Financial Entities and Basic Standards for Enterprise Internal Control, and taking into consideration of industry features and its actual conditions. The Company employed scientific financial accounting structure, qualified professional 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, accurate 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 was able to ensure the quality of financial reports and high reliability of financial information. During the Reporting Period, the Company did not have any significant defects in internal control over financial reporting and its annual financial reports are true, accurate and complete.

SECTION X INTERNAL CONTROL

(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".

Before conducting business, the Company formulated appropriate management systems and processes for each business; during conducting business, the Company established a real-time monitoring system, realizing dynamic monitoring of risk control indicators and automatic warning, and established a complementation mechanism of net capital to ensure that the risk control indicators, like net capital, conform to the requirements of regulatory authorities continuously; after conducting business, the Company carried out rectification measures for the control issues identified during the monitoring, and the audit department formulates auditing plan on an annual basis to proceed on-site audit of the Company's relevant departments and branches and supervises the rectification of the issues identified.

During the Reporting Period, in accordance with regulatory requirements, the Company has fully streamlined its comprehensive risk management and liquidity risk management and has preliminarily completed its comprehensive risk management and liquidity risk management system and implementation program. The Company has given effect to its risk management implementation program based on the requirements of the Standards on Management of Comprehensive Risks of Securities Companies and the Guidelines on Management of Liquidity Risks of Securities Companies and has formulated two basic systems, namely the Administrative Measures for Management of Comprehensive Risks (Trial) and the Administrative Measures for Management of Liquidity Risks (Trial). The Company has also streamlined the structure of its risk management department and has established its risk appetite and tolerance and risk limit system. It has also improved its risk reporting mechanism and has included market risks, credit risks and liquidity risks into the overall daily risk reporting mechanism of its department. Authorization and approval processes of various business steps have been defined and have been managed and controlled through mechanisms, processes and systems to ensure the balance and supervision of various business activities.

In respect of management of liquidity risks, the Company has formulated the implementation systems including the Administrative Measures for Daily Liquidity and Risks Management and the Administrative Measures for Emergency of Liquidity Risks and has improved the administrative measures for pressure testing of liquidity risks. It has also promoted building of the liquidity risk system.

SECTION X INTERNAL CONTROL

(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 Company set up a leading group and a working group for implementation of internal control regulations and an internal control evaluation group. The office meeting among general managers has appointed the compliance and risk management headquarters, which is responsible for guiding the establishment and implementation of internal control, as the leader of the working group for implementation of internal control regulations, and assigned the Audit Department as the leader of the internal control evaluation group, being responsible for internal control self-assessment and issuance of internal control evaluation reports. The Compliance and Risk Management Headquarters and the Audit Department independently perform their functions of construction and implementation of internal control and the effectiveness evaluation.

(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 Standards 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 taking into accounting of various factors including the scale of the Company, industry features and risk level.

Significant defects refer to a combination of one or more control defects which may lead to serious deviation from the control target of the Company. Important defects refer to a combination of one or more control defects with impacts and economic consequences less serious than those of significant defects but may still lead to deviation from the control target of the Company. Common defects refer to any defects 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 2014 pursuant to the requirements of the relevant laws and regulations of the Basic Standards 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 2014 Internal Control Evaluation Report was issued by the Company. During the Reporting Period, the Company set up internal control systems for businesses and issues included in 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 material changes in the internal control system that may have a substantive influence on evaluation results.

SECTION X INTERNAL CONTROL

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 reporting pursuant to the Basic Standards for Enterprise Internal Control and relevant regulations in material aspects and did not discover any significant defects in internal control over financial reporting.

(IX) Work plan of internal control in 2015

The internal control should be appropriate 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. The work plan for internal control in 2015 mainly includes: further improving its system structure and building a comprehensive risk management, gradually establishing of a management system for various risk so as to steadily advance various risk management work at the system level; timely updating and constantly establishing and improving of the "Before, During and After Conducting Business" control system, policies and processes of the Company, especially system for the innovation business, according to business development needs; continuously and proactively identifying and assessing risks to perfect and improve risk control and management strategies in time; amending 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 enhancing 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 unqualified audit report on internal control of the Company.

For details of audit report on internal control, please refer to relevant announcements dated 27 March 2015 on the websites of the Shanghai Stock Exchange on <http://www.sse.com.cn> and <http://www.htsec.com> of the Company.

III. INFORMATION ABOUT RESPONSIBILITY INVESTIGATION SYSTEM ON MATERIAL 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 material errors in annual reports, intensified efforts in accountability against relevant responsible persons for disclosure of annual reports, and promoted 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 XI FINANCIAL AND ACCOUNTING REPORTS

- (I) The 2014 Financial Report (H Share) 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 statements (H Share) (Appendices).



SECTION XII DOCUMENTS AVAILABLE FOR INSPECTION

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



SECTION XIII INFORMATION DISCLOSURE OF SECURITIES COMPANY

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

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

<u>New branches</u>	<u>New business departments</u>	<u>Relocation of branches</u>	<u>Relocation of business departments</u>
3	31	1	12

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

<u>No.</u>	<u>Branch</u>	<u>Address</u>	<u>Approval document No.</u>	<u>Approval date</u>	<u>License obtained on</u>
1	Haitong Securities Co., Ltd. (Hainan Branch)	AVIC Building, No. 15, Longkun North Road, Haikou	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	27 May 2014
2	Haitong Securities Co., Ltd. (Xinjiang Branch)	No. 359, Xinyi Road, High-tech Industrial Development Zone (Xinshi District), Urumqi, Xinjiang	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	8 July 2014
3	Haitong Securities Co., Ltd. (Shanghai Pilot Free Trade Zone Branch)	Room 1401, 14/F, No. 6, Jilong Road, China (Shanghai) Pilot Free Trade Zone	Hu Zheng Jian Xu Ke [2014] No. 15	28 January 2014	25 April 2014

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

<u>No.</u>	<u>Business Department</u>	<u>Address</u>	<u>Approval document No.</u>	<u>Approval date</u>	<u>License obtained on</u>
1	Business department of Haitong Securities Co., Ltd. in Zhongba South Road, Hai'an, Nantong	No. 19, Zhongba South Road, Hai'an Town, Hai'an County, Nantong	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	16 January 2014
2	Business department of Haitong Securities Co., Ltd. in Beimen Road, Chongming County, Shanghai	No. 408, Beimen Road, Chengqiao Town, Chongming County, Shanghai	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	16 January 2014
3	Business department of Haitong Securities Co., Ltd. in Qixing Road, Xinchang	No. 166, Qixing Road, Xinchang County	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	16 January 2014

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No.	Business Department	Address	Approval document No.	Approval date	License obtained on
4	Business department of Haitong Securities Co., Ltd. in Xihu Road, Tianmen	Part of 4/F, Building 2, Ginza Dijingwan, Tianmen New City (Tianmen CBD), Xihu Road, Jingling Office, Tianmen	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	16 January 2014
5	Business department of Haitong Securities Co., Ltd. in Dongfeng East Street, Weifang	Room 1904, Dongsheng Plaza, No. 8081, Dongfeng East Street, Kuiwen District, Weifang	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	16 January 2014
6	Business department of Haitong Securities Co., Ltd. in Yingbin Road, Qinhuangdao	No. 100, Yingbin Road, Haigang District, Qinhuangdao	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	16 January 2014
7	Business department of Haitong Securities Co., Ltd. in Kunlun Street, Yingkou	Middle of Kunlun Street (05- Part of Business Building in South of Bank of Communications), Bayuquan District, Yingkou	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	24 March 2014
8	Business department of Haitong Securities Co., Ltd. in Baoyuan Road, Shenzhen	1902F, Tower D, Baoyuan Wealth Harbor Building, Xixiang Sub-district, Bao'an District, Shenzhen	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	24 March 2014
9	Business department of Haitong Securities Co., Ltd. in Jiuzhou Avenue East, Zhuhai	Room F in a Shopping Mall, No. 1159, Jiuzhou Avenue East, Jida, Xiangzhou District, Zhuhai	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	25 March 2014
10	Business department of Haitong Securities Co., Ltd. in Suzhong South Road, Baoying, Yangzhou	No. 6-1038, Jinqiao Life Plaza, Baoying County	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	25 March 2014
11	Business department of Haitong Securities Co., Ltd. in Balin Middle Road, Yueyang	Room 703, 7/F, Haichuan Building, No. 450, Balin Middle Road, Yueyanglou District, Yueyang	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	25 March 2014
12	Business department of Haitong Securities Co., Ltd. in Lize Road, Suzhou	Room 102, 4th Building, Zhentai Area, Songling Town, Wujiang District	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	25 March 2014

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No.	Business Department	Address	Approval document No.	Approval date	License obtained on
13	Business department of Haitong Securities Co., Ltd. in Chengdong Road, Lishui	No. 34 & 36-1, Chengdong Road, Liandong District, Lishui, Zhejiang	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	10 July 2014
14	Business department of Haitong Securities Co., Ltd. in Zicai West Avenue, Qinzhou	Shop 119, 1st Building, No. 69, Zicai West Avenue, Qinzhou	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	10 July 2014
15	Business department of Haitong Securities Co., Ltd. in Suhe South Street, Linyi	No. 49-3, Suhe South Street, Lanshan District, Linyi, Shandong	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	10 July 2014
16	Business department of Haitong Securities Co., Ltd. in Dongsan Road, Dongying	Room 109, Building B, No. 171, Dongsan Road, Dongying District, Dongying, Shandong	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	10 July 2014
17	Business department of Haitong Securities Co., Ltd. in Xingwu Road, Dandong	1st Building, Bawai, Xingwu Road, Zhenxing District, Dandong	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	10 July 2014
18	Business department of Haitong Securities Co., Ltd. in Yongning Street, Datong	Shop 2, 1st Building, Xinhe Garden, Yongning Street, Cheng District, Datong	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	10 July 2014
19	Business department of Haitong Securities Co., Ltd. in Tongfeng Road, Kunshan	No. 347, 349, Tongfeng Road, Development Zone, Kunshan	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	14 July 2014
20	Business department of Haitong Securities Co., Ltd. in Yanda 1st Road, Huizhou	Shop F05, 6/F, Tai'anju, 3rd Area, Dashi Lake, West of Yanda 1st Road, Huizhou	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	14 July 2014
21	Business department of Haitong Securities Co., Ltd. in Tanan Road, Jiaozuo	Room 602, 6/F, Huarong International, No. 225, Zhanqian Road, Shanyang District, Jiaozuo	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	14 July 2014
22	Business department of Haitong Securities Co., Ltd. in Minzhu Road, Shangqiu	1309A & 1310A, Hualian World Trade, Minzhu Road, Liangyuan District, Shangqiu	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	14 July 2014

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No.	Business Department	Address	Approval document No.	Approval date	License obtained on
23	Business department of Haitong Securities Co., Ltd. in Hanghai East Road, Zhengzhou	Room 2207, 1st Building, Futian Wealth Plaza, No. 1394, Hanghai East Road, Economic and Technological Development Zone, Zhengzhou	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	14 July 2014
24	Business department of Haitong Securities Co., Ltd. in Wuzhou Road, Yingtan	No. 9, 1st Building, Xihujiayuan, West of Wuzhou Road, Yingtan, Jiangxi	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	17 July 2014
25	Business department of Haitong Securities Co., Ltd. in Xunyang East Road, Jiujiang	3/F, No. 93, Xunyang East Road, Xunyang District, Jiujiang	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	17 July 2014
26	Business department of Haitong Securities Co., Ltd. in Cidu Avenue, Jingdezhen	2/F, No. 1279, Cidu Avenue, Changjiang District, Jingdezhen, Jiangxi	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	17 July 2014
27	Business department of Haitong Securities Co., Ltd. in Yuanshan Middle Road, Yichun	No. 261, Yuanshan Middle Road, Yichun, Jiangxi	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	17 July 2014
28	Business department of Haitong Securities Co., Ltd. in Tianchang East Road, Chuzhou	No. 549, Tianchang East Road, Chuzhou, Anhui	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	17 July 2014
29	Business department of Haitong Securities Co., Ltd. in Changjiang Middle Road, Tongling	Room 203, No. 1112, Changjiang Middle Road, Tongguanshan District, Tongling, Anhui	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	17 July 2014
30	Business department of Haitong Securities Co., Ltd. in Jinqiao Avenue, Macheng	No. 61, Jinqiao Avenue (three rooms at street level on east of 1/F of the office building of Development and Reform Bureau), Macheng, Hubei	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	17 July 2014

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No.	Business Department	Address	Approval document No.	Approval date	License obtained on
31	Business department of Haitong Securities Co., Ltd. in Dongrun Road, Taixing	No. 96, Dongrun Road, Taixing	Hu Zheng Jian Ji Gou Zi [2013] No. 173	8 July 2013	18 July 2014

3. Administrative Licensing of Relocation of Branches during the Reporting Period

No.	Name of branch before relocated	Name of branch after relocated	New address	License obtained on
1	Haitong Securities Co., Ltd. (Shandong Branch)	Haitong Securities Co., Ltd. (Shandong Branch)	No. 13, Quancheng Road, Jinan, Shandong	27 June 2014

4. 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 on
1	Business department of Haitong Securities Co., Ltd. in North Road, Honggang, Daqing	Business department of Haitong Securities Co., Ltd. in South Road, Honggang, Daqing	Room 402 & Half of 2/F (203, 204, 205), No. 11, South Road, Honggang District Daqing, Heilongjiang	25 February 2014
2	Business department of Haitong Securities Co., Ltd. in California City Garden, Chongqing	Business department of Haitong Securities Co., Ltd. in Longhua Avenue, Chongqing	Room 6-2, 3rd Building, Caixin City International, No. 107-9, Longhua Avenue, Longqi Sub-district, Yubei District, Chongqing	10 March 2014
3	Business department of Haitong Securities Co., Ltd. in Jiangnan West Road, Guangzhou	Business department of Haitong Securities Co., Ltd. in Baogang Avenue, Guangzhou	North Side of 6/F, Grandbuy Xinyicheng, No. 498, Baogang Avenue, Haizhu District, Guangzhou, Guangdong	26 May 2014
4	Business department of Haitong Securities Co., Ltd. in Quancheng Road, Jinan	Business department of Haitong Securities Co., Ltd. in Quancheng Road, Jinan	No. 13, Quancheng Road, Jinan, Shandong	27 June 2014
5	Business department of Haitong Securities Co., Ltd. in Longcheng Road, Jiangdu	Business department of Haitong Securities Co., Ltd. in Longchuan South Road, Jiangdu,	No. 139, Longchuan South Road, Xiannv Town, Jiangdu District, Yangzhou, Jiangsu	5 August 2014

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No.	Name of business department before relocated	Name of business department after relocated	New address	License obtained on
6	Business department of Haitong Securities Co., Ltd. in Sichuan South Road, Shanghai	Business department of Haitong Securities Co., Ltd. in Fuzhou Road, Huangpu District, Shanghai	No. 536 & 542, Fuzhou Road & Room P04, No. 1, Lane 188, Zhejiang Middle Road, Huangpu District, Shanghai	13 August 2014
7	Business department of Haitong Securities Co., Ltd. in Tongxin West Road, Guiyang	Business department of Haitong Securities Co., Ltd. in Changling North Road, Guiyang	No. 4 & 5, 12/F, 1st Building, Datangdongyuan Wealth Plaza, No. 6, Changling North Road, Guanshan Lake District, Guiyang	11 September 2014
8	Business department of Haitong Securities Co., Ltd. in Nanxun, Huzhou	Business department of Haitong Securities Co., Ltd. in Shangcheng West Road, Wuxing, Huzhou	No. 119, Shangcheng West Road, Zhili Town, Huzhou	28 September 2014
9	Business department of Haitong Securities Co., Ltd. in Xinma Road, Yiwu	Business department of Haitong Securities Co., Ltd. in Danxi North Road, Yiwu	1/F-3/F, No. 222, Danxi North Road, Beiyuan Sub-district, Yiwu, Zhejiang	5 November 2014
10	Business department of Haitong Securities Co., Ltd. in Xiangshan Road, Huaibei	Business department of Haitong Securities Co., Ltd. in Xiangshan Road, Huaibei	Room 1017-1018 & 2014-2018, Huiyuan Community, No. 122, Xiangshan Road, Huaibei	8 December 2014
11	Business department of Haitong Securities Co., Ltd. in Dongfeng Road, Dongfeng	Business department of Haitong Securities Co., Ltd. in Dongfeng Road, Dongfeng	Room 1-4, 2nd Building, Tianxing Mingjun, Dongfeng Road, Dongfeng Town, Dongfeng County, Jilin	15 December 2014
12	Business department of Haitong Securities Co., Ltd. in Ranweng Road, Mile	Business department of Haitong Securities Co., Ltd. in Ranweng Road, Mile	2/F, No. 618, Ranweng West Road, Mile	29 December 2014

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

No.	Date	Contents
1	January 2014	Hunan Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Hu Ming as branch manager of securities company" (Xiang Zheng Jian Ji Gou Zi [2014] No. 2) to the Company, approving qualification of Hu Ming as branch manager of securities company
2	January 2014	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Tang Yi as branch manager of securities company" (Su Zheng Jian Ji Gou Zi [2014] No. 8) to the Company, approving qualification of Tang Yi as branch manager of securities company
3	January 2014	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Wu Min as branch manager of securities company" (Su Zheng Jian Ji Gou Zi [2014] No. 7) to the Company, approving qualification of Wu Min as branch manager of securities company
4	February 2014	Liaoning Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Yu Wencai as branch manager of securities company" (Liao Zheng Jian Han [2014] No. 26) to the Company, approving qualification of Yu Wencai as branch manager of securities company
5	March 2014	Shandong Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Qi Huaijun as branch manager of securities company" (Lu Zheng Jian Xu Ke [2014] No. 28) to the Company, approving qualification of Qi Huaijun as branch manager of securities company
6	March 2014	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Xu Feng as branch manager of securities company" (Hu Zheng Jian Xu Ke [2014] No. 60) to the Company, approving qualification of Xu Feng as branch manager of securities company
7	April 2014	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Ding Zhendong as branch manager of securities company" (Su Zheng Jian Ji Gou Zi [2014] No. 174) to the Company, approving qualification of Ding Zhendong as branch manager of securities company
8	June 2014	Anhui Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Zhao Zhifeng as branch manager of securities company" (Wan Zheng Jian Han Zi [2014] No. 123) to the Company, approving qualification of Zhao Zhifeng as branch manager of securities company

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No.	Date	Contents
9	June 2014	Anhui Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Luo Faqiang as branch manager of securities company" (Wan Zheng Jian Han Zi [2014] No. 124) to the Company, approving qualification of Luo Faqiang as branch manager of securities company
10	June 2014	Anhui Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Wu Kan as branch manager of securities company" (Wan Zheng Jian Han Zi [2014] No. 125) to the Company, approving qualification of Wu Kan as branch manager of securities company
11	June 2014	Hunan Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Mo Fang as branch manager of securities company" (Xiang Zheng Jian Ji Gou Zi [2014] No. 64) to the Company, approving qualification of Mo Fang as branch manager of securities company
12	June 2014	Zhejiang Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Wang Zheng as branch manager of securities company" (Zhe Zheng Jian Xu Ke [2014] No. 107) to the Company, approving qualification of Wang Zheng as branch manager of securities company
13	June 2014	Jiangxi Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Fei Jun as branch manager of securities company" (Gan Zheng Jian Xu Ke [2014] No. 53) to the Company, approving qualification of Fei Jun as branch manager of securities company
14	June 2014	Jiangxi Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Hong Haiyan as branch manager of securities company" (Gan Zheng Jian Xu Ke [2014] No. 54) to the Company, approving qualification of Hong Haiyan as branch manager of securities company
15	June 2014	Jiangxi Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Ai Disheng as branch manager of securities company" (Gan Zheng Jian Xu Ke [2014] No. 56) to the Company, approving qualification of Ai Disheng as branch manager of securities company
16	June 2014	Jiangxi Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Li Guohua as branch manager of securities company" (Gan Zheng Jian Xu Ke [2014] No. 57) to the Company, approving qualification of Li Guohua as branch manager of securities company

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No.	Date	Contents
17	June 2014	Shandong Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Chen Ming as branch manager of securities company" (Lu Zheng Jian Xu Ke [2014] No. 68) to the Company, approving qualification of Chen Ming as branch manager of securities company
18	June 2014	Shandong Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Yang Lei as branch manager of securities company" (Lu Zheng Jian Xu Ke [2014] No. 69) to the Company, approving qualification of Yang Lei as branch manager of securities company
19	June 2014	Xinjiang Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Lin Hai as supervisor of securities company" (Xin Zheng Jian Ju [2014] No. 62) to the Company, approving qualification of Lin Hai as supervisor of securities company
20	June 2014	Liaoning Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Yang Hongbin as branch manager of securities company" (Liao Zheng Jian Xu Ke [2014] No. 39) to the Company, approving qualification of Yang Hongbin as branch manager of securities company
21	June 2014	Zhejiang Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of He Zheng as branch manager of securities company" (Zhe Zheng Jian Xu Ke [2014] No. 116) to the Company, approving qualification of He Zheng as branch manager of securities company
22	June 2014	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Xu Jianqiang as branch manager of securities company" (Su Zheng Jian Ji Gou [2014] No. 270) to the Company, approving qualification of Xu Jianqiang as branch manager of securities company
23	June 2014	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Qu Qiuping as senior management of securities company" (Hu Zheng Jian Xu Ke [2014] No. 159) to the Company, approving qualification of Qu Qiuping as senior management of securities company
24	June 2014	Guangxi Supervision Bureau of China Securities Regulatory Commission issued "Guangxi Supervision Bureau's reply of approval on qualification of Zhang Lingang as branch manager of securities company" (Gui Zheng Jian Xu Ke [2014] No. 30) to the Company, approving qualification of Zhang Lingang as branch manager of securities company

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No.	Date	Contents
25	June 2014	Guangdong Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Bai Yu as branch manager of securities company" (Guangdong Zheng Jian Xu Ke [2014] No. 147) to the Company, approving qualification of Bai Yu as branch manager of securities company
26	June 2014	Shanxi Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Kang Pengfei as branch manager of securities company" (Jin Zheng Jian Xu Ke Zi [2014] No. 25) to the Company, approving qualification of Kang Pengfei as branch manager of securities company
27	June 2014	Henan Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Sun Shijie as branch manager of securities company" (Yu Zheng Jian Fa [2014] No. 176) to the Company, approving qualification of Sun Shijie as branch manager of securities company
28	June 2014	Henan Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Meng Xinke as branch manager of securities company" (Yu Zheng Jian Fa [2014] No. 175) to the Company, approving qualification of Meng Xinke as branch manager of securities company
29	June 2014	Henan Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Tian Dong as branch manager of securities company" (Yu Zheng Jian Fa [2014] No. 177) to the Company, approving qualification of Tian Dong as branch manager of securities company
30	June 2014	Qingdao Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Li Xiaolin as branch manager of securities company" (Qing Zheng Jian Xu Ke [2014] No. 28) to the Company, approving qualification of Li Xiaolin as branch manager of securities company
31	June 2014	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Tang Fanxing as branch manager of securities company" (Su Zheng Jian Ji Gou Zi [2014] No. 300) to the Company, approving qualification of Tang Fanxing as branch manager of securities company

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No.	Date	Contents
32	June 2014	Hubei Supervision Bureau of China Securities Regulatory Commission issued "Hubei Supervision Bureau's reply of approval on qualification of Fu Guopeng as branch manager of securities company" (E Zheng Jian Xu Ke [2014] No. 41) to the Company, approving qualification of Fu Guopeng as branch manager of securities company
33	July 2014	Guangdong Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Li Xiaoxiang as branch manager of securities company" (Guangdong Zheng Jian Xu Ke [2014] No. 161) to the Company, approving qualification of Li Xiaoxiang as branch manager of securities company
34	August 2014	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Yan Xudong as branch manager of securities company" (Su Zheng Jian Ji Gou Zi [2014] No. 386) to the Company, approving qualification of Yan Xudong as branch manager of securities company
35	August 2014	Jiangsu Supervision Bureau of China Securities Regulatory Commission issued "The reply on qualification of Chen Zhiping as branch manager of securities company" (Su Zheng Jian Ji Gou Zi [2014] No. 387) to the Company, approving qualification of Chen Zhiping as branch manager of securities company
36	December 2014	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Lyu Changjiang as independent director of securities company" (Hu Zheng Jian Xu Ke [2014] No. 368) to the Company, approving qualification of Lyu Changjiang as independent director of securities company
37	December 2014	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Zhang Xinmei as director of securities company" (Hu Zheng Jian Xu Ke [2014] No. 377) to the Company, approving qualification of Zhang Xinmei as director of securities company
38	December 2014	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Cheng Feng as supervisor of securities company" (Hu Zheng Jian Xu Ke [2014] No. 378) to the Company, approving qualification of Cheng Feng as supervisor of securities company

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No.	Date	Contents
39	December 2014	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Hu Hairong as supervisor of securities company" (Hu Zheng Jian Xu Ke [2014] No. 379) to the Company, approving qualification of Hu Hairong as supervisor of securities company
40	December 2014	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Chen Bin as director of securities company" (Hu Zheng Jian Xu Ke [2014] No. 380) to the Company, approving qualification of Chen Bin as director of securities company
41	December 2014	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Wang Meijuan as supervisor of securities company" (Hu Zheng Jian Xu Ke [2014] No. 381) to the Company, approving qualification of Wang Meijuan as supervisor of securities company
42	December 2014	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Chen Huifeng as supervisor of securities company" (Hu Zheng Jian Xu Ke [2014] No. 382) to the Company, approving qualification of Chen Huifeng as supervisor of securities company
43	December 2014	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Li Guangrong as independent director of securities company" (Hu Zheng Jian Xu Ke [2014] No. 387) to the Company, approving qualification of Li Guangrong as independent director of securities company
44	December 2014	Shanghai Supervision Bureau of China Securities Regulatory Commission issued "The reply of approval on qualification of Feng Lun as independent director of securities company" (Hu Zheng Jian Xu Ke [2014] No. 388) to the Company, approving qualification of Feng Lun as independent director of securities company

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(3) Other administrative permissions

Date	Business qualification	Approval organization	Title of approval document	No. of approval document
10 February 2014	Qualification to conduct agency business of securities pledge registration	China Securities Depository and Clearing Corporation Limited	Confirmation Letter on Qualification to Conduct Agency Business of Securities Pledge Registration	N/A
23 April 2014	Expanding foreign exchange business scope (foreign currency negotiable securities brokerage, underwriting of foreign currency negotiable securities)	Shanghai Supervision Bureau of CSRC	Reply of Shanghai Branch of SAFE on Expansion of Foreign Exchange Business Scope by Haitong Securities Co., Ltd.	(Shang Hai Hui Fu [2014] No. 16)
24 June 2014	Conducting pilot internet securities business	Securities Association of China	Letter on Approval of Conducting Pilot Internet Securities Business	(Zhong Zheng Xie Han [2014] No. 358)
4 August 2014	Shanghai Gold Exchange membership certificate	Shanghai Gold Exchange	Shanghai Gold Exchange Membership Certificate	No. of certificate: T004
17 October 2014	Qualification of issuing short-term commercial paper	CSRC	Regulatory Advice Letter on Application of Issuing Short-term Commercial Paper by Haitong Securities Co., Ltd.	(Zheng Quan Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1551)
20 November 2014	Issuing pilot short-term corporate bonds of securities company	Shanghai Stock Exchange	Notice on Acceptance of Filing of Short-term Corporate Bonds of Securities Company	(Shang Zheng Duan Zhai [2014] No. 4)
1 December 2014	Business pilot of financing-oriented option exercise with respect to share incentive schemes of listed companies	Shenzhen Stock Exchange	Letter on Consent regarding Engaging in Business Pilot of Financing-Oriented Option Exercise with respect to Share Incentive Schemes of Listed Companies by Haitong Securities	(Shen Zhen Han [2014] No. 321)

SECTION XIII INFORMATION DISCLOSURE OF SECURITIES COMPANY

II. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

In 2014, the Company was rated as a “Grade A, Category AA” company

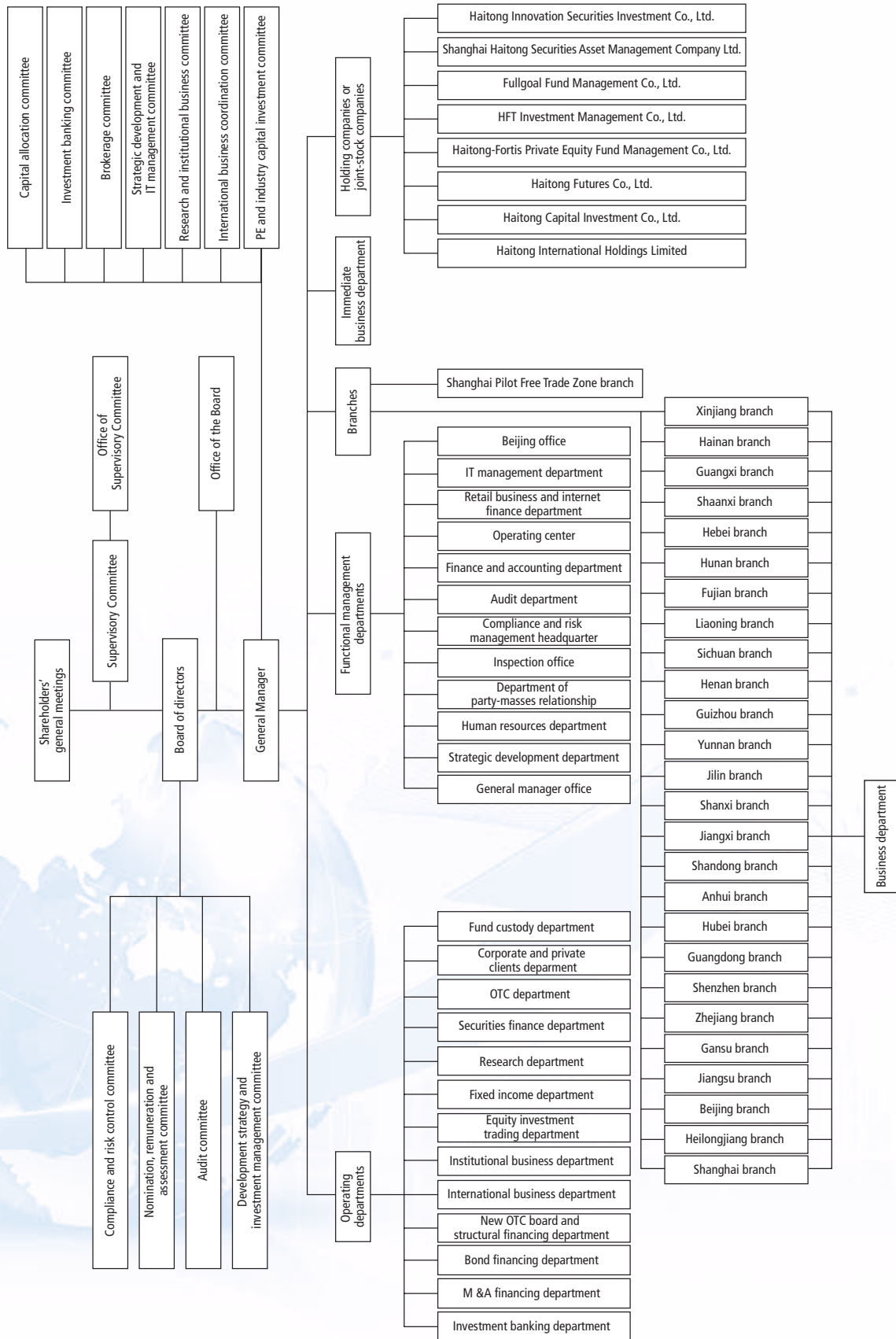
By order of the Board
Haitong Securities Co., Ltd.
Wang Kaiguo
Chairman

Shanghai, the PRC
27 March 2015



SECTION XIII INFORMATION DISCLOSURE OF SECURITIES 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 27 branches and 271 business departments.

Particulars of branches

No.	Branch	Address	Year of establishment	Person in charge
1	Shanghai branch	20/F, No. 285, Jianguo West Road, Shanghai	2009	Cao Xuesong (曹雪松)
2	Zhejiang branch	No. 138, Jiefang Road, Hangzhou, Zhejiang	2009	Jin Xiaoyang (金曉陽)
3	Jiangsu branch	Room 1218, Suning Global Mansion, No. 188, Guangzhou Road, Nanjing, Jiangsu	2009	Zhao Jianxiang (趙建祥)
4	Shenzhen branch	49/F, Shidai-Caifu Building, No.88, Fuhua Road 3, Futian District, Shenzhen, Guangdong	2009	Cheng Xiangting (程相霆)
5	Guangdong branch	9F, G.T.Land Plaza South Tower, No.8, Zhujiang West Road, Guangzhou, Guangdong	2009	Zhang Zhenwen (張鎮文)
6	Beijing branch	Room 608, Fangyuan Building, No. Yi 56, South Avenue, Zhongguancun, Beijing	2009	Li Jiansheng (李建生)
7	Heilongjiang branch	No.99-9, Changjiang Road, Harbin, Heilongjiang	2009	Wu Hongsong (吳紅松)
8	Gansu branch	10/F, No. 157, Wudu Road, Lanzhou, Gansu	2009	Han Gang (韓綱)
9	Hubei branch	No. 2, Jiangda Road, Wuhan, Hubei	2009	Tu Huimin (屠惠敏)
10	Anhui branch	6/F, Xingdu Building, No. 262, Huangshan Road, Hefei, Anhui	2010	Ni Yu (倪煜)
11	Jilin branch	4th Building, Xinglan Area (No. 550, Dajing Road), Nanguan District, Changchun, Jilin	2011	Meng Qinglu (孟慶錄)
12	Jiangxi branch	4/F, Jiangxi Construction Building, No. 97, Square North Road, Nanchang, Jiangxi	2011	Xiao Pingping (肖萍萍)
13	Shanxi branch	No. 92, Xinjian Road, Xinghualing District, Taiyuan, Shanxi	2011	Yang Xiaoping (楊小平)
14	Yunnan branch	No. 162, Dongfeng West Road, Kunming, Yunnan	2011	Zhang Chongde (張崇德)
15	Guizhou branch	14/F, North Tower, Tianheng City Garden, No. 66, Fushui North Road, Guiyang, Guizhou	2011	Wei Wei (魏衛)
16	Henan branch	6/F, Haitong Securities Building, No. 16, Jingqi Road, Zhengzhou, Henan	2011	Sun Xiaodong (孫曉東)
17	Shandong branch	No. 13, Quancheng Road, Jinan, Shandong	2011	Qi Huaijun (齊淮鈞)
18	Sichuan branch	No. 12, Xiaohe Street, Chengdu, Sichuan	2011	Xu Feng (許鋒)
19	Liaoning branch	No. 364, Daxi Road, Shenyang, Liaoning	2011	Zhang Long (張龍)
20	Fujian branch	3/F, 1st building, Riyuexing Garden, No. 278, Qunzhong Road, Fuzhou, Fujian	2011	Zhan Liangyu (詹亮宇)
21	Guangxi branch	2/F, 3rd building, No. 18, Minzhu Road, Nanning, Guangxi	2012	Lu Xiangyang (盧向陽)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Branch	Address	Year of establishment	Person in charge
22	Hunan branch	6/F, Yinhua Hotel, No. 618, Wuyi Avenue, Changsha, Hunan	2012	Song Jiaqing (宋家清)
23	Shaanxi branch	West Area, 10/F, Haixing Intelligent Square, No. 11, Xixin Street, Xi'an	2012	Meng Liya (孟立亞)
24	Hebei branch	No. 2, Shifan Street, Shijiazhuang, Hebei	2012	Sun Wei (孫偉)
25	Hainan branch	No. 15, AVIC Building, Longkun North Road, Haikou	2014	Xiao Rong (肖蓉)
26	Xinjiang branch	No. 359, Xinyi Road, High-tech Industrial Development Zone (Xinshi District), Urumqi, Xinjiang	2014	Lin Hai (林海)
27	Shanghai pilot free trade zone branch	Room 1401, 14/F, No. 6, Jilong Road, China (Shanghai) Pilot Free Trade Zone Branch	2014	MIYAZATO HIROKI

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

Particulars of securities business departments

No.	Name of business departments	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	Tianyuan Building, No. 146, Zhongrong Street, Bengbu, Anhui	Wang Lingwei (王凌巍)
3	Fuyang Qinghe East Road Securities Business Department	1st building, Yiqingyuan, Qinghe East Road, Yingzhou District, Fuyang, Anhui	Cheng Qiu (程球)
4	Hefei Huangshan Road Securities Business Department	4/F, Xingdu Building, No. 262, Huangshan Road, Baohe District, Hefei, Anhui	Chen Jie (陳潔)
5	Huaibei Xiangshan Road Securities Business Department	Room 1017-1018 & 2014-2018, Huiyuan Area, No. 122, Xiangshan Road, Huaibei	Zhao Zhifeng (趙陟峰)
6	Huainan Tianda Road Securities Business Department	Room 101 of 6th building & 1-2/F 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	Ma'anshan Hudong Middle Road Securities Business Department	9-302, Central Garden, Hudong Middle Road, Huashan District, Ma'anshan, 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	Unit 301 & 302A, 3/F, 1st building, No. 66, Workers Stadium North Road, Dongcheng District, Beijing	Ma Hui (馬暉)
11	Beijing Zhichun Road Securities Business Department	5/F, Satellite Building, No. A63, Zhichun Road, Haidian District, Beijing	Wang Song (王宋)
12	Beijing Zhongguancun South Street Securities Business Department	No. A56, Zhongguancun South Street, Haidian District, Beijing	Liu Yi (劉毅)
13	Beijing Miyun Drum Tower East Street Securities Business Department	No. 19, Drum Tower East Street, Miyun County, Beijing	Guo Ran (郭冉)
14	Beijing Pinggu Jinxiang Road Securities Business Department	1/F & 3/F, No. 1, Jinxiang Road Branch, Pinggu District, Beijing	Xiong Jun (熊軍)
15	Fuzhou Qunzhong Road Securities Business Department	3/F, 1st Building, Riyuexing Garden (being Yuanli Apartment at present), No. 278, Qunzhong Road, Chating Street, Taijiang District, Fuzhou	Zhan Liangyu (詹亮宇)
16	Xiamen Lehai Beili Securities Business Department	No. 98-103, Lehai Beili, Jimei District, Xiamen	Liu Yanxiang (劉雁翔)
17	Quanzhou Tian'an Road Securities Business Department	4/F, Youth Building, Tian'an Road, Quanzhou, Fujian	Lin Yupeng (林毓鵬)
18	Fuan YangTou Square North Road Securities Business Department	Office B05, 5/F, 1st Building, Pearl along Riverside, No. 6, YangTou Square North Road, Cheng District, Fu'an, Fujian	Lin Huairong (林懷榮)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of business departments	Address	Person in charge
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 Administration Building, No.19 Area, 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 Ziqiang (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	3/F, Post Building, Jianguo Street, Liangzhou District, Wuwei, Gansu	Wu Yong (武勇)
30	Dongguan Shenghe Road Securities Business Department	3/F, Tower B, Shenghe Square, Shenghe Road, Nancheng District, Dongguan, Guangdong	Wang Tie Ping (王鐵平)
31	Foshan Shunde Xinning Road Securities Business Department	Ground Floor, Times Building, No. 60, Xinning Road, Daliang, Shunde District, Foshan, Guangdong	Cai Zhiqiang (蔡志強)
32	Guangzhou Dongfeng West Road Securities Business Department	11/F & 12/F, Tower B, Teaching and Academic Communication Center, Guangzhou Medical College, No. 195, Dongfeng West Road, Yuexiu District, Guangzhou	Cai Zhaopeng (蔡昭鵬)
33	Guangzhou Baogang Avenue Securities Business Department	North Side of 6/F, Grandbuy Xinyicheng, No. 498, Baogang Avenue, Haizhu District, Guangzhou, Guangdong	Pan Shuming (潘淑明)
34	Guangzhou Zhujiang West Road Securities Business Department	Room 903-906, 9/F, 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 Middle Road, Shantou, Guangdong	Zhang Zhenwen (張鎮文)
36	Shaoguan Wenhua Street Securities Business Department	1/F & 2/F of the Annex of Dageda Building, Wenhua Street, Zhenjiang District, Shaoguan, Guangdong	Deng Ziwei (鄧紫薇)
37	Zhongshan Yuelai South Road Securities Business Department	Gate 8 of 1F & 2F, Tower A1, No. 18, Yuelai South Road, Shiqi District, Zhongshan, Guangdong	Li Xiaoxiang (李曉翔)
38	Nanning Minzhu Road Securities Business Department	1/F & 2/F, Yongzhou Restaurant, No. 18, Minzhu Road, Xingning District, Nanning, Guangxi	Lu Xiangyang (盧向陽)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of business departments	Address	Person in charge
39	Liuzhou Guizhong Avenue Securities Business Department	3-1, 7th Building, Sunshine 100 City Square, No. 2, Guizhong Avenue (South), Liuzhou, Guangxi	Duan Guangjun (段廣軍)
40	Guilin Lijiang Road Securities Business Department	4/F, No. 4, Lijiang Road, Qixing District, Guilin, Guangxi	Zhang Ning (張寧)
41	Guiyang Changling North Road Securities Business Department	No. 4 & 5, 12/F, 1st Building, Datang Dongyuan Wealth Square, No. 6, Changling North Road, Guanshanhu District, Guiyang	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	3/F Longjinggou Complex, Zhonghua South Road, Zunyi, Guizhou	Zhong Jian (鐘健)
44	Haikou Longkun North Road Securities Business Department	AVIC Building, 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	Xue Chengbin (薛成彬)
47	Baoding Dongfeng East Road Securities Business Department	Ground Floor, 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, Stadium Road, Luoyang, Henan	Mao Bin (毛贇)
49	Xuchang Jianshe Road Securities Business Department	3/F, 4/F & 5/F, Tianlun Building of Chunqiu Square, Jianshe Road Xuchang, Henan	Gong Lan (龔嵐)
50	Zhengzhou Jingqi Road Securities Business Department	No. 16 Jingqi Road Zhengzhou, Henan	Dong Yixing (凍逸興)
51	Daqing Honggang South Road Securities Business Department	Half of 2/F (203,204 & 205) & Room 402, No. 11, South 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, Sa'ertu District, Daqing, Heilongjiang	Zhou Guohong (周國洪)
55	Daqing Jinliu Street Securities Business Department	No. 47, Jinliu Street, Sa'ertu District, Daqing, Heilongjiang	Li Gaoping (李高平)
56	Harbin Tongjiang Street Securities Business Department	Part of 1/F, 3/F, 4/F, 5/F & 6/F, 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)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of business departments	Address	Person in charge
59	Harbin Hulan North Erdao Street Securities Business Department	No. 135, North Erdao Street, Hulan District, 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 (鄒祺)
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 Complex, 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 East Jiefang Road Securities Business Department	No. 27, East Jiefang Road, Hegang, Heilongjiang	Hui Pengying (惠鵬鷹)
67	Heihe Bei'an Jiaotong Road Securities Business Department	No. 81, Jiaotong Road, Bei'an, 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 (谷宏毅)
70	Jixi Hulin Hongqi Street Securities Business Department	Hongqi Street Center, Hulin Town, Hulin, Heilongjiang	He Ming (何明)
71	Jixi Zhongxin Street Securities Business Department	No. 110, Zhongxin Street, Jiguan District, Jixi, Heilongjiang	Guo Haifeng (郭海峰)
72	Jixi Mishan Dong'an Street Securities Business Department	No. 75, Dong'an Street, Mishan Town, Mishan, Jixi, Heilongjiang	Wang Yong (王勇)
73	Jiagedaqi Renmin Road Securities Business Department	No. 168, Renmin Road, Jiagedaqi District, Daxing Anling Area, Heilongjiang	Liu Yaxuan (劉亞軒)
74	Jiamusi Baowei Road Securities Business Department	Shop No.115, Yifu City Apartment, Baowei Road, Qianjin District, Jiamusi, Heilongjiang	Han Min (韓民)
75	Daxing Anling Mohe Zhenxing Road Securities Business Department	Post 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	Su Xingli (蘇興利)
77	Mudanjiang Hailin Linhai Road Securities Business Department	No. 65, Linhai Road, Hailin, Mudanjiang, Heilongjiang	Wang Xiaofei (王曉飛)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of business departments	Address	Person in charge
78	Mudanjiang Suifenhe Shancheng Road Securities Business Department	No. 101, Shancheng Road, Suifenhe, Mudanjiang, Heilongjiang	Geng Cheng (庚成)
79	Mudanjiang Peace Street Securities Business Department	No. 7, West Peace Street, Xi'an District, Mudanjiang, Heilongjiang	Liu Wei (劉威)
80	Mudanjiang Mudan Street Securities Business Department	No. 1, West Mudan Street, Mudanjiang, Heilongjiang	Bao Xiuyong (包修勇)
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	3/F, 4/F & 5/F, No. 81, Peace Road, Fularji 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 Pukui Street Securities Business Department	No. 42, Pukui Street, Longsha District, Qiqihar, Heilongjiang	Wang Hongwei (王宏偉)
85	Qiqihar Nehe Zhongxin Street Securities Business Department	No. 369, Zhongxin 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 (宋俊頡)
87	Suihua Anda Niu Street Securities Business Department	No. 235, Niu Street, Anda, Suihua, Heilongjiang	Wang Xichen (王喜臣)
88	Suihua Zhongzhi South Road Securities Business Department	16th Building, 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	6/F, 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 Building, 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, Chengnan Office, Wuling District, Changde, Hunan	Zhang Wenzhong (張文忠)
96	Hengyang Zhengyang South Road Securities Business Department	Room 604-607, 6/F, Chongye Commercial Plaza, No. 2, Zhengyang South Road, Yanfeng District, Hengyang	Mo Fang (莫方)
97	Shaoyang Daijia Road Securities Business Department	2/F of the CCB Branch next to Feicui Xingcheng, Daijia Road, Daxiang District, Shaoyang, Hunan	Deng Jiabin (鄧家斌)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of business departments	Address	Person in charge
98	Changchun Dajing Road Securities Business Department	No.550, Dajing Road, Changchun, Jilin	Li Yong (李勇)
99	Dongfeng Dongfeng Road Securities Business Department	1-4, 2nd Building, Tianxing Mingjun, Dongfeng Road, Dongfeng Town, Dongfeng County, Jilin	Qin Jingbo (秦靖波)
100	Jilin Nanjing Street Securities Business Department	No.104, Nanjing Street, Jilin, 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 Haiyu North Road Securities Business Department	No.20, Haiyu North Road, Changshu, Jiangsu	Su Jiahong (蘇加宏)
103	Changzhou Jianshen Road Securities Business Department	No.16, Jianshen Road, Changzhou, Jiangsu	Chen Zhiping (陳志平)
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	Huai'an Huaihai North Road Securities Business Department	1/F, 4/F & 5/F, No.50, Huaihai North Road, Huai'an, Jiangsu	Tang Daquan (唐大權)
106	Jiangdu Longchuan South Road Securities Business Department	No.139, Longchuan South Road, Xiannv Town, Jiangdu District, Yangzhou, Jiangsu	Xing Yi (邢翼)
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	Liao Pengfei (繆鵬飛)
110	Suzhou Nanyuan North Road Securities Business Department	No. 31, Nanyuan North Road, Suzhou	Yue Lan (岳嵐)
111	Taizhou Gulou South Road Securities Business Department	No. 315, Gulou South Road, Taizhou, Jiangsu	Qiao Leizhang (喬雷璋)
112	Wuxi Jiefang East Road Securities Business Department	No. 1008, Jiefang East Road, Wuxi, Jiangsu	Wu Guohua (吳國華)
113	Yancheng Jianjun Middle Road Securities Business Department	No. 68, Jianjun Middle Road, Yancheng, Jiangsu	Ding Zhendong (丁振東)
114	Yangzhou Wenhe South Road Securities Business Department	No. 69, Wenhe South Road, Yangzhou, Jiangsu	Liu Junjie (劉俊傑)
115	Xuzhou Zhongshan North Road Securities Business Department	3/F, Longtai Building, No. 12, Zhongshan North Road, Gulou District, Xuzhou, Jiangsu	Yan Xudong (嚴旭東)
116	Zhenjiang Zhongshan West Road Securities Business Department	No. 53, Zhongshan West Road, 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)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of business departments	Address	Person in charge
118	Nanchang Square North Road Securities Business Department	No. 97, Square North Road, Nanchang, Jiangxi	Xiao Fangsheng (肖芳生)
119	Xinyu Labour South Road Securities Business Department	3/F, Yindu Building, Labour South Road, Xinyu, Jiangxi	Xiao Pingping (肖萍萍)
120	Ganzhou Hongqi Avenue Securities Business Department	1/F-4/F, 1st Building, 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 Town, Xiuyan Manchu 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. 13, Quancheng Road, Jinan, Shandong	Zhang Dong (張東)
130	Qingdao Hangzhou Road Securities Business Department	No. 20, Hangzhou Road, Qingdao	Li Xiaolin (李小林)
131	Qingdao Zhanshan 1st Road Securities Business Department	No. 25, Zhanshan 1st Road, Shinan District, Qingdao	Cui Ning (崔寧)
132	Tai'an Daizong Street Securities Business Department	No. 10, Daizong Street, Tai'an, Shandong	Gao Min (高敏)
133	Weihai Gaoshan Street Securities Business Department	No. 2, Gaoshan Street, Weihai, Shandong	Liu Changbo (劉昌波)
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 County, Zibo, Shandong	Liu Shanshun (劉善順)
136	Zibo Shihua Securities Business Department	No. 69, Qilu Chemical Plaza, Zichuan District, Zibo, Shandong	Jiang Shan (姜山)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of business departments	Address	Person in charge
137	Zibo Tongji Street Securities Business Department	No. 140, Tongji Street, Linzi District, Zibo, Shandong	Qi Simin (戚思敏)
138	Zaozhuang Taishan South Road Securities Business Department	No. 111 (opposite to Railway Transportation Office), West Side of Taishan South Road, Xuecheng District, Zaozhuang, Shandong	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 Yingze West Street Securities Business Department	No. 386, Yingze West 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 Street Securities Business Department	No. 188, Xinghua Street, Taiyuan, Shanxi	Feng Bing (馮冰)
143	Xi'an Xixin Street Securities Business Department	10/F (No. 11001 & 11002 of 1st Building), Haixing Intelligent Square, No. 11, Xixin Street, Xi'an	He Qian (何倩)
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	Zhao Chenguang (趙晨光)
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	Room 709-711, No. 300, Xuanhua Road, Changning District, 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 Town Securities Business Department	No. 681, Deyuan Road, Shanghai	Zhang Feng (張峰)
150	Shanghai Nanqiao Securities Business Department	No. 381, Nanxing Road, Nanqiao Town, 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 (王園)
153	Shanghai Yutian Branch Road Securities Business Department	No. 11, Yutian Branch Road, Shanghai	Lin Jia (林佳)
154	Shanghai Putuo District Aomen Road Securities Business Department	4/F, No. 351, Aomen Road, Putuo District, Shanghai	Shao Yan (邵豔)
155	Shanghai Yuyao Road Securities Business Department	No. 420, Yuyao Road, Shanghai	Zhu Jiangli (朱江力)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of business departments	Address	Person in charge
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, 1st Building, No. 182, Zaoyang Road, Putuo District, Shanghai	Lou Gang (樓剛)
162	Shanghai Huangpu District Fuzhou Road Securities Business Department	No. 536 & 542, Fuzhou Road and Room P04, No. 1, Lane 188, Zhejiang Middle Road, Huangpu District, 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 & 335-345, No. 1601-1613 (singular), Tongchuan Road, Putuo District, Shanghai	Yang Zhidi (楊志弟)
165	Shanghai Minhang District Wuzhong Road Securities Business Department	B101 & 4/F, 6th Building, No. 1059, Wuzhong Road, Minhang District, 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	3/F, No. 112 & 1/F & 3/F, No. 116, Xietu Road, Shanghai	Yang Hong (楊紅)
168	Shanghai Jianguo West Road Securities Business Department	3/F, No. 285, Jianguo West Road, Shanghai	Zhou Jie (周傑)
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)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of business departments	Address	Person in charge
174	Shanghai Songjiang District Renmin North Road Securities Business Department	No. 5,6,7&8, Lane 171, Renmin North Road, Songjiang District, Shanghai	Peng Xiaotong (彭霄彤)
175	Shanghai Qingpu District Qinghu Road Securities Business Department	No. 780, Qinghu Road, Qingpu District, Shanghai	Xu Feng (徐鳳)
176	Shenzhen Fuhua 3rd Road Securities Business Department	Unit B, 3/F, Times Wealth Building, South of City Center, Fuhua 3rd Road, Futian District, Shenzhen	Gong Mei (龔鎰)
177	Shenzhen Hongling South Road Securities Business Department	Unit B, 3/F, Tower 4 & 5, Hongling Building, Hongling South Road, Futian District, Shenzhen	Wan Lanming (萬蘭明)
178	Shenzhen Huafu Road Securities Business Department	5/F, Nanguang Building West, No.5, Huafu Road, Futian District, Shenzhen	Nan Yu (南玉)
179	Shenzhen Jingtian Road Securities Business Department	202, Rui Da Yuan, Jingtian Road, Futian District, Shenzhen	Shen Zhijing (沈志敬)
180	Shenzhen Branch Hongling Middle Road Securities Business Department	3/F, Zhongshen International Building, No.2068, Hongling Middle Road, Guiyuan Street, Luohu District, Shenzhen	Wang Lei (王磊)
181	Shenzhen Haide 3rd Road Securities Business Department	Room 801-805, 806A, 810A, 811 & 812, 8/F, Tiley Central Plaza, East of Houhai Avenue, Nanshan District, Shenzhen	Zeng Yunbei (曾韻蓓)
182	Chengdu Renmin West Road Securities Business Department	No. 96, Renmin West Road, Chengdu	Xu Feng (許鋒)
183	Chengdu Wenjiang District Yangliu East Road Securities Business Department	No. 31, 34 & 83, Yangliu East 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 Avenue Securities Business Department	8/F, Ningtai Plaza, No. 1, Xiaguang Avenue, 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	2/F, No.618, Ranweng West Road, Mile	Liu Jin (劉晉)
188	Jinghong Galan Middle Road Securities Business Department	2/F, No.100, Galan Middle Road, Jinghong, Yunnan	Gu Jianxin (顧建新)
189	Kunming Dongfeng West Road Securities Business Department	No.162, Dongfeng West Road, Kunming, Yunnan	Zhang Chongde (張崇德)
190	Hangzhou Huancheng West Road Securities Business Department	No.46-2, Huancheng West Road, Hangzhou, Zhejiang	Ma Jie (馬劼)
191	Hangzhou Jiefang Road Securities Business Department	No.138, Jiefang Road, Hangzhou, Zhejiang	Wang Zheng (汪崢)
192	Hangzhou Wenhua Road Securities Business Department	No.208, Wenhua Road, Xiaoshan District, Hangzhou, Zhejiang	Chen Jianrong (陳建榮)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of business departments	Address	Person in charge
193	Shangyu Shimin Avenue Securities Business Department	1-3/F, No. 678, Shimin Avenue, Baiguan County, Shangyu	Pan Wei (潘偉)
194	Shaoxing Laodong Road Securities Business Department	No.158, Laodong Road, Shaoxing, Zhejiang	Chen Qing (陳青)
195	Shengzhou Xiqian Street Securities Business Department	No.89, Xiqian Street, Shengzhou, Zhejiang	Zou Ning (鄒寧)
196	Yiwu Danxi North Road Securities Business Department	1-3/F, No. 222, Danxi North Road, Beiyuan Street, Yiwu, Zhejiang	Yan Jianting (嚴建庭)
197	Ningbo Baizhang East Road Securities Business Department	11/F, No. 787, Baizhang East Road, Ningbo, Zhejiang	Fang Xianming (方賢明)
198	Ningbo Jiefang North Road Securities Business Department	No. 148, Jiefang North Road, Ningbo, Zhejiang	Mei Wensheng (梅文勝)
199	Jiaxing Zhongshan West Road Securities Business Department	No. 850 & 852, Zhongshan West Road, Jiaxing, Zhejiang	Wang Honglei (王宏雷)
200	Huzhou Wuxing Shangcheng West Road Securities Business Department	No. 119, Shangcheng West Road, Zhili Town, Huzhou	Wang Hui (王輝)
201	Chongqing Longhua Avenue Securities Business Department	Unit 6-2, Building 3, Caixin City International, No. 107-9, Longhua Avenue, Longxi Street, 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	Room 106, 1st Building, Ruikang Business Center, Jinxiu Road, Lucheng District, Wenzhou	Cui Haihong (崔海紅)
204	Bozhou Xiyi Avenue Securities Business Department	No. 442, Xiyi Avenue, Bozhou	Hou Yundong (侯運動)
205	Suzhou Bianhe Road Securities Business Department	Northwest of cross of Bianhe Road and Huaihai Road (4/F, Southwest of the Central Square Building), Yongqiao District, Suzhou, Anhui	Ni Shixu (倪士旭)
206	Jinzhai Hongjun Avenue Securities Business Department	Hongjun Avenue, Meishan Town, Jinzhai County, Liu'an, Anhui	Zheng Xiaohong (鄭小紅)
207	Xuancheng Jingting Road Securities Business Department	No. 299, Jingting Road, Xuancheng, Anhui	Zhang Haibo (張海波)
208	Shenzhen Shennan Avenue Securities Business Department	Room 1208, Tower A, Century Vocation Square, No. 9030, Shennan Avenue, Nanshan District, Shenzhen	Liu Chanji (劉燁吉)
209	Zhuji Genta East Road Securities Business Department	No. 24, Genta East Road Jiyang Sub-district, Zhuji	Chen Xintian (陳新天)
210	Liupanshui Qilin Road Securities Business Department	Shop 16, 1/F, Podium Building of Mingdu Business Square, Northeast of the Cross of Zhongshan Middle Road and Qilin Avenue, Zhongshan District, Liupanshui, Guizhou	Yang Xiaoqi (楊曉琪)
211	Bijie Biyang Avenue Securities Business Department	2-4a# & 2-4b#, 2/F, Yujing Huating (Liucangban Da Lan Community), Hongnan Road, Qixingguan District, Bijie	Zou Yang (鄒楊)
212	Leshan Renmin South Road Securities Business Department	No. 419 & 421, Renmin South Road, Shizhong District, Leshan	Yang Yan (楊焱)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of business departments	Address	Person in charge
213	Shuangliu Tanghu South Road Securities Business Department	3/F, Tianma Building, No. 244, 2nd Part of Tanghu South Road, Dongsheng Street, Shuangliu County, Chengdu	Lang Yanyan (郎妍妍)
214	Baoji Jing'er Road Securities Business Department	No. 45, Jing'er Road, Weibin District, Baoji	Zhang Danni (張丹妮)
215	Hanzhong Tianhan Avenue Securities Business Department	Zhongyin Building, Tianhan Avenue, Hantai District, Hanzhong	Chen Jianfei (陳劍飛)
216	Shangrao Zhongshan West Road Securities Business Department	2-1, No. 65, Zhongshan West Road, Xinzhou District, Shangrao, Jiangxi	Li Yong (李勇)
217	Pingxiang Park Middle Road Securities Business Department	No. 123, Park Middle Road, Pingxiang	Yu Li (余立)
218	Fuzhou Gandong Avenue Securities Business Department	No. 1533, South Extension of Gandong Avenue, Fuzhou, Jiangxi	Zhong Jinying (鐘瑾瑛)
219	Zigong Dangui Street Securities Business Department	Room 6, No. 508, Dangui Street, Ziliujing District, Zigong	Chen Ling (陳陵)
220	Jieyang Puning Xinhe East Road Securities Business Department	7th from South of the West-ward Shop, Zhongxin Huafu, Xinhe East Road, Liusha, Puning, Jieyang, Guangdong	Huang Shuolin (黃燦林)
221	Jincheng Huanghua Street Securities Business Department	Shop 3, No. 5, Hongxiang Area, Huanghua Street, Cheng District, Shanxi	Du Yuqing (都玉清)
222	Qingdao Jiushui East Road Securities Business Department	No. 9, Jiushui East Road, Licang District, Qingdao	Liu Hongshun (劉洪順)
223	Lianyungang Lvyan South Road Securities Business Department	No. 48-3, Lvyan South Road, Lianyungang	Wang Jianguo (王建國)
224	Suqian Fazhan Avenue Securities Business Department	No. 64, Fazhan Avenue, Suqian	Tao Ye (陶冶)
225	Yixing Jiubin South Road Securities Business Department	No. 63, 65, & 67, Jiubin Road, Yicheng Street, Yixing	Liang Liang (梁樑)
226	Jiangyin Chaoyang Road Securities Business Department	No. 55 (1/F), Chaoyang Road, Jiangyin	Liang Zhen (梁正)
227	Taicang Renmin South Road Securities Business Department	Room 107, No. 168, Renmin South Road, Chengxiang Town, Taicang	Huang Yingda (黃穎達)
228	Zhoushan Huancheng West Road Securities Business Department	No.96, Huancheng West Road, Dinghai District, Zhoushan	Qian Hang (錢杭)
229	Shanghai Pudong New Area Chengshan Road Securities Business Department	No. 1250, Chengshan Road, Pudong New Area, Shanghai	Zhang Renci (張任慈)
230	Hohhot Xinhua East Street Securities Business Department	3/F, Hecheng Information Complex, No. 395, Dongfeng Road, Xincheng District, Hohhot, Inner Mongolia Autonomous Region	Xu Daobin (許道賓)
231	Cixi Bei'erhuan East Road Securities Business Department	Room 108, No. 204-206, Bei'erhuan East Road, Gutang Street, Cixi	Cao Jingbo (曹靜波)
232	Huzhuo Shaoxi West Road Securities Business Department	1/F & 2/F, No. 265, Shaoxi West Road, Shaoxi Business Building, Wuxing District, Huzhou	Du Haiyan (杜海燕)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of business departments	Address	Person in charge
233	Hangzhou Guali Dongling North Road Securities Business Department	No. 160, Dongling North Road, Guali Town, Xiaoshan District	Mu Miao (繆苗)
234	Chenzhou Nanling Avenue Securities Business Department	1/F, Zijin Hotel, No. 63, Nanling Avenue, Beihu District, Chenzhou	Zhou Haibo (周海波)
235	Songyuan Wulan Avenue Securities Business Department	2/F, No. 2299, Wulan Street, Ningjiang District	Ma Ming (馬鳴)
236	Changzhou Guangdian West Road Securities Business Department	No. 310, Guangdian West Road, Wujin District, Changzhou	Zhang Lei (張蕾)
237	Liyang Yanshan Middle Road Securities Business Department	A1009-A1012, 1/F, Futian Center, No.28, Yanshan Middle Road, Licheng Town, Liyang	Jiang Yi (姜怡)
238	Zhangjiagang Donghuan Road Securities Business Department	No. 123, Donghuan Road, Yangshe Town	Shen Fei (沈斐)
239	Dali Erhe South Road Securities Business Department	Aa2-11 – Aa2-13, 2/F, Zhongmin City Square, Xiaguan, Dali	Du Shuai (都帥)
240	Jinning Kunyang Street Securities Business Department	Room 13, 2/F, 1st Building, Zhenghe Business Square, Kunyang Town, Jinning County	Zhang Ling (張凌)
241	Nantong Hai'an Zhongba South Road Securities Business Department	No. 19, Zhongba South Road, Hai'an Town, Hai'an County, Nantong	Zhang Fugui (張富貴)
242	Shanghai Chongming County Beimen Road Securities Business Department	No. 408, Beimen Road, Chengqiao Town, Chongming County, Shanghai	Sang Jialei (桑佳磊)
243	Xinchang Qixing Road Securities Business Department	No. 166, Qixing Road, Xinchang County	Zhang Minhua (張敏華)
244	Tianmen Xihu Road Securities Business Department	Part of 4/F, Building 2, Ginza Dijingwan, Tianmen New City (Tianmen CBD), Xihu Road, Jingling Office, Tianmen	Fu Guopeng (付國鵬)
245	Weifang Dongfeng East Street Securities Business Department	Room 1904, Dongsheng Plaza, No. 8081, Dongfeng East Street, Kuiwen District, Weifang	Li Qun (李群)
246	Qinhuangdao Yingbin Road Securities Business Department	No. 100, Yingbin Road, Haigang District, Qinhuangdao	Gu Yue (谷悅)
247	Yingkou Kunlun Street Securities Business Department	Middle of Kunlun Street (05- Part of Business Building in South of Bank of Communications), Bayuquan District, Yingkou	Yu Wencai (于文才)
248	Shenzhen Baoyuan Road Securities Business Department	1902F, Tower D, Baoyuan Wealth Harbor Building, Xixiang Street, Bao'an District, Shenzhen	Chen Xiao (陳曉)
249	Zhuhai Jiuzhou Avenue East Securities Business Department	Room F in a Shopping Mall, No. 1159, Jiuzhou Avenue East, Jida, Xiangzhou District, Zhuhai	Wang Zhenghe (王正和)
250	Yangzhou Baoying Suzhong South Road Securities Business Department	No. 6-1038, Jinqiao Life Plaza, Baoying County	Tang Yi (湯毅)
251	Yueyang Balin Middle Road Securities Business Department	Room 703, 7/F, No. 450, Haichuan Building, Balin Middle Road, Yueyanglou District, Yueyang	Hu Ming (胡明)

APPENDIX II BRANCHES AND SECURITIES BUSINESS DEPARTMENTS OF THE COMPANY

No.	Name of business departments	Address	Person in charge
252	Suzhou Lize Road Securities Business Department	Room 102, 4th Building, Zhentai Area, Songling Town, Wujiang District	Wu Min (吳敏)
253	Yingtian Wuzhou Road Securities Business Department	No. 9, 1st Building, Xihujiayuan, West of Wuzhou Road, Yingtian, Jiangxi	Ai Disheng (艾迪生)
254	Jiujiang Xunyang East Road Securities Business Department	3/F, No. 93, Xunyang East Road, Xunyang District, Jiujiang, Jiangxi	Hong Haiyan (洪海燕)
255	Jingdezhen Cidu Avenue Securities Business Department	2/F, No. 1279, Cidu Avenue, Changjiang District, Jingdezhen, Jiangxi	Fei Jun (費俊)
256	Yichun Yuanshan Middle Road Securities Business Department	No. 261, Yuanshan Middle Road, Yichun, Jiangxi	Li Guohua (李國華)
257	Chuzhou Tianchang East Road Securities Business Department	No. 549, Tianchang East Road, Chuzhou, Anhui	Wu Kan (吳侃)
258	Tongling Changjiang Middle Road Securities Business Department	Room 203, No. 1112, Changjiang Middle Road, Tongguanshan District, Tongling, Anhui	Luo Faqiang (羅法強)
259	Macheng Jinqiao Avenue Securities Business Department	No. 61, Jinqiao Avenue (three rooms at street level on east of 1/F of the office building of Development and Reform Bureau), Macheng, Hubei	Li Xiaozhong (李小中)
260	Lishui Chengdong Road Securities Business Department	No. 34 & 36-1, Chengdong Road, Liandong District, Lishui, Zhejiang	He Zheng (何崢)
261	Qinzhou Zicai West Street Securities Business Department	Shop 119, 1st Building, No. 69, Zicai West Avenue, Qinzhou	Zhang Lingang (張林剛)
262	Linyi Suhe South Street Securities Business Department	No. 49-3, Suhe South Street, Lanshan District, Linyi, Shandong	Yang Lei (楊雷)
263	Dongying Dongsan Road Securities Business Department	Room 109, Building B, No. 171, Dongsan Road, Dongying District, Dongying, Shandong	Chen Ming (陳明)
264	Dandong Xingwu Road Securities Business Department	1st Building, Bawai, Xingwu Road, Zhenxing District, Dandong	Yang Hongbin (楊洪濱)
265	Datong Yongning Street Securities Business Department	Shop 2, 1st Building, Xinhe Garden, Yongning Street, Cheng District, Datong	Li Wei (李瑋)
266	Kunshan Tongfeng Road Securities Business Department	No. 347, 349, Tongfeng Road, Kunshan Economic & Technological Development Zone	Xu Jianqiang (徐建強)
267	Huizhou Yanda 1st Road Securities Business Department	Shop F05, 6/F, Tai'anju, 3rd Area, Dashi Lake, West of Yanda 1st Road, Huizhou	Zhu Weiyong (朱偉英)
268	Jiaozuo Tanan Road Securities Business Department	Room 602, 6/F, Huarong International, No. 225, Zhanqian Road, Shanyang District, Jiaozuo	Meng Xinke (孟信可)
269	Shangqiu Minzhu Road Securities Business Department	1309A & 1310A, Hualian World Trade, Minzhu Road, Liangyuan District, Shangqiu	Tian Dong (田冬)
270	Zhengzhou Hanghai East Road Securities Business Department	Room 2207, 1st Building, Futian Wealth Plaza, No. 1394, Hanghai East Road, Zhengzhou Economic and Technological Development Zone	Sun Shijie (孫世傑)
271	Taixing Dongrun Road Securities Business Department	No. 96, Dongrun Road, Taixing	Tang Fanxing (唐凡興)

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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 211 to 380, which comprise the consolidated and the Company's statements of financial position as at 31 December 2014, 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 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

27 March 2015



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Revenue			
Commission and fee income	6	9,516,170	6,751,188
Interest income	7	7,699,971	3,670,965
Net investment gains	8	5,708,662	2,150,038
Total revenue		22,924,803	12,572,191
Other income and gains	9	742,063	230,543
Total revenue and other income		23,666,866	12,802,734
Depreciation and amortisation	10	(284,304)	(307,319)
Staff costs	11	(4,131,308)	(2,621,465)
Commission to account executives		(427,497)	(334,496)
Brokerage transaction fees and other services expenses	12	(868,022)	(514,208)
Interest expenses	13	(4,340,189)	(1,484,370)
Other expenses		(3,362,486)	(2,203,068)
Total expenses		(13,413,806)	(7,464,926)
Share of results of associates and joint ventures		167,334	116,940
Profit before income tax	14	10,420,394	5,454,748
Income tax expense	15	(2,301,371)	(1,173,754)
Profit for the year		8,119,023	4,280,994
Attributable to:			
Owners of the Company		7,710,623	4,035,024
Non-controlling interests		408,400	245,970
		8,119,023	4,280,994
Earnings per share (Expressed in RMB per share)			
– Basic	16	0.80	0.42
– Diluted	16	0.80	0.42

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit for the year	8,119,023	4,280,994
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	726,056	521,940
Reclassification adjustment to profit or loss on disposal/ impairment	(508,181)	(387,941)
Income tax relating to components of other comprehensive income	(49,979)	(25,392)
Share of revaluation gain of associates and joint ventures	65,459	5,299
Subtotal	233,355	113,906
Exchange differences arising on translation	49,672	(194,588)
Other comprehensive income/(expense) for the year (net of tax)	283,027	(80,682)
Total comprehensive income for the year	8,402,050	4,200,312
Attributable to:		
Owners of the Company	8,007,081	3,970,608
Non-controlling interests	394,969	229,704
	8,402,050	4,200,312

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS at 31 December 2014

	NOTES	2014/12/31 RMB'000	2013/12/31 RMB'000
Non-current assets			
Property and equipment	17	1,210,145	1,171,604
Investment properties	18	20,455	86,814
Goodwill	19	2,600,616	623,072
Other intangible assets	20	254,785	256,125
Investments accounted for using equity method	24	5,686,141	2,231,269
Finance lease receivables	25	12,826,397	–
Available-for-sale investments	27	8,714,786	4,720,906
Loan and receivable investments	28	4,470,404	1,829,199
Held-to-maturity investments	29	309,816	353,349
Deferred tax assets	56	566,817	430,935
Restricted bank deposits	40	384,473	349,231
Other assets	30	131,233	90,735
Loans and advances to customers	31	–	934,200
Financial assets held under resale agreements	35	10,292,634	–
Financial assets at fair value through profit or loss	37	1,527,382	–
Total non-current assets		48,996,084	13,077,439
Current assets			
Loans and advance to customers	31	64,883,359	26,531,096
Accounts receivable	32	4,384,354	1,647,258
Finance lease receivables	25	7,399,072	–
Other receivables and prepayments	33	2,453,972	1,889,348
Available-for-sale investments	27	3,990,608	4,951,872
Loan and receivable investments	28	3,347,033	2,086,056
Held-to-maturity investments	29	3,006	281,613
Financial assets held under resale agreements	35	52,873,455	9,036,993
Placements to banks and other financial institutions	36	2,000,000	–
Financial assets at fair value through profit or loss	37	56,273,055	47,590,047
Deposits with exchanges	38	5,495,664	3,693,835
Clearing settlement funds	39	14,818,876	5,751,053
Bank balances and cash	40	85,703,611	52,586,993
Total current assets		303,626,065	156,046,164
Total assets		352,622,149	169,123,603
Current liabilities			
Borrowings	42	19,807,574	5,796,395
Short-term financing bills payables	43	22,926,586	3,000,000
Placements from other financial institutions	44	14,270,000	1,120,000
Accounts payable to brokerage clients	45	80,766,843	40,429,567
Other payables and accruals	46	7,697,576	3,295,497
Provisions	47	2,493	2,740
Tax liabilities		816,775	395,277
Financial liabilities at fair value through profit or loss	49	15,028,545	6,506,512
Financial assets sold under repurchase agreements	50	59,807,864	26,111,914
Total current liabilities		221,124,256	86,657,902
Net current assets		82,501,809	69,388,262
Total assets less current liabilities		131,497,893	82,465,701

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS at 31 December 2014

	NOTES	2014/12/31 RMB'000	2013/12/31 RMB'000
Equity			
Share capital	51	9,584,721	9,584,721
Capital reserve		32,383,596	32,383,071
Investment revaluation reserve		407,434	163,065
Translation reserve		(361,545)	(413,634)
General reserves	54	9,792,774	8,009,216
Retained profits		16,557,451	11,780,552
Equity attributable to owners of the Company		68,364,431	61,506,991
Non-controlling interests		3,899,772	2,598,167
Total equity		72,264,203	64,105,158
Non-current liabilities			
Deferred tax liabilities	56	758,197	85,586
Bonds payable	57	35,775,667	17,939,628
Long-term borrowing	42	4,537,684	–
Long-term payables	58	1,941,119	–
Financial assets sold under repurchase agreements	50	14,910,000	335,329
Financial liabilities at fair value through profit or loss	49	1,008,065	–
Other payables and accruals	46	302,958	–
Total non-current liabilities		59,233,690	18,360,543
Total equity and non-current liabilities		131,497,893	82,465,701

The consolidated financial statements on pages 211 to 380 were approved and authorised for issue by the Board of Directors on 27 March 2015 and signed on behalf by:

WANG Kaiguo

Chairman of Board

QU Qiuping

*Executive Director and
General Manager*

Li Chuqian

Chief Financial Officer

STATEMENT OF FINANCIAL POSITION

AS at 31 December 2014

	NOTES	2014/12/31 RMB'000	2013/12/31 RMB'000
Non-current assets			
Property and equipment	17	1,109,073	1,082,958
Investment properties	18	20,455	86,814
Other intangible assets	20	157,421	153,047
Investments in subsidiaries	22	16,111,180	14,083,380
Investments accounted for using equity method	24	92,907	92,907
Available-for-sale investments	27	6,694,004	4,978,569
Loan and receivable investments	28	803,000	–
Deferred tax assets	56	400,299	324,914
Other assets	30	48,993	58,893
Financial assets held under resale agreements	35	9,017,835	–
Total non-current assets		34,455,167	20,861,482
Current assets			
Loans and advances to customers	31	56,758,373	19,517,300
Accounts receivable	32	387,905	12,227
Other receivables and prepayments	33	1,431,054	1,400,354
Amount due from a subsidiary	34	1,002,019	251,724
Available-for-sale investments	27	3,414,042	3,551,083
Loan and receivable investments	28	1,302,450	–
Financial assets held under resale agreements	35	47,966,639	7,657,922
Placements to banks and other financial institutions	36	2,000,000	–
Financial assets at fair value through profit or loss	37	35,783,385	37,525,338
Deposits with exchanges	38	810,395	1,074,449
Clearing settlement funds	39	13,907,806	4,365,643
Bank balances and cash	40	63,865,253	32,586,853
Total current assets		228,629,321	107,942,893
Total assets		263,084,488	128,804,375

STATEMENT OF FINANCIAL POSITION

AS at 31 December 2014

	NOTES	2014/12/31 RMB'000	2013/12/31 RMB'000
Current liabilities			
Short-term financing bills payables	43	23,626,586	3,000,000
Placements from other financial institutions	44	14,270,000	1,120,000
Accounts payable to brokerage clients	45	59,430,651	26,114,368
Other payables and accruals	46	3,871,571	1,600,429
Amount due to a subsidiary	34	10,369	121,930
Provisions	47	2,493	2,740
Tax liabilities		368,412	271,442
Financial liabilities at fair value through profit or loss	49	1,678,178	46,421
Financial assets sold under repurchase agreements	50	56,461,042	24,434,718
Total current liabilities		159,719,302	56,712,048
Net current assets		68,910,019	51,230,845
Total assets less current liabilities		103,365,186	72,092,327
Equity			
Share capital	51	9,584,721	9,584,721
Capital reserve	52	32,472,480	32,472,480
Investment revaluation reserve	53	229,699	55,424
General reserves	54	9,483,332	7,779,880
Retained profits	55	12,924,206	10,204,761
Total equity		64,694,438	60,097,266
Non-current liabilities			
Deferred tax liabilities	56	702,435	38,645
Bond payables	57	22,976,963	11,956,416
Long-term borrowing	42	25,890	–
Financial assets sold under repurchase agreements	50	14,790,000	–
Other payables and accruals	46	175,460	–
Total non-current liabilities		38,670,748	11,995,061
Total equity and non-current liabilities		103,365,186	72,092,327

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company						Non-controlling interests			Total equity RMB'000	
	Share capital RMB'000	Capital reserve RMB'000 (Note a)	Investment revaluation reserve RMB'000	Translation reserve RMB'000	General reserves RMB'000 (Note 54)	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
At 1 January 2014	9,584,721	32,383,071	163,065	(413,634)	8,009,216	11,780,552	61,506,991	2,592,765	5,402	2,598,167	64,105,158
Profit for the year	-	-	-	-	-	7,710,623	7,710,623	408,400	-	408,400	8,119,023
Other comprehensive income (expense) for the year	-	-	244,369	52,089	-	-	296,458	(13,431)	-	(13,431)	283,027
Total comprehensive income (expense) for the year	-	-	244,369	52,089	-	7,710,623	8,007,081	394,969	-	394,969	8,402,050
Changes of equity interests in subsidiaries	-	(3,232)	-	-	-	-	(3,232)	764,288	-	764,288	761,056
Appropriation to general reserves	-	-	-	-	1,783,558	(1,783,558)	-	-	-	-	-
Issuance of convertible bond by a subsidiary (Note b)	-	-	-	-	-	-	-	298,718	-	298,718	298,718
Shares issued under share option scheme	-	3,757	-	-	-	-	3,757	2,000	-	2,000	5,757
Cash dividend recognised as distribution (Note 61)	-	-	-	-	-	(1,150,166)	(1,150,166)	(158,370)	-	(158,370)	(1,308,536)
At 31 December 2014	9,584,721	32,383,596	407,434	(361,545)	9,792,774	16,557,451	68,364,431	3,894,370	5,402	3,899,772	72,264,203
At 1 January 2013	9,584,721	32,376,205	63,963	(250,116)	6,932,920	9,971,990	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 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	-	-	-	-	1,076,296	(1,076,296)	-	-	-	-	-
Capital injection by non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	825,285	-	825,285	825,285
Issuance of convertible bond by a subsidiary (Note b)	-	17,847	-	-	-	-	17,847	7,548	-	7,548	25,395
Cash dividend recognised as distribution (Note 61)	-	-	-	-	-	(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)	8,009,216	11,780,552	61,506,991	2,592,765	5,402	2,598,167	64,105,158

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: On 18 July 2013, the Group's subsidiary, Haitong International Securities Group Limited issued convertible bonds in principal amount of Hong Kong Dollar ("HKD") 776 million at par and further issued convertible bonds in principal amount of HKD232 million at 105% on 10 October 2013. On 4 November 2014, the Company's subsidiary Haitong International Securities Group Limited issued convertible bonds in principal amount of HKD1,164 million. During the year ended 31 December 2014, convertible bonds issued by Haitong International Securities in the prior year with the principal amount of HKD325 million were converted into ordinary shares of Haitong International Securities. There was no such conversion in the prior year. Details are set out in note 57.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Profit before income tax	10,420,394	5,454,748
Adjustments for		
Interest expenses	4,340,189	1,484,370
Share of results of associates and joint ventures	(167,334)	(116,940)
Depreciation and amortisation	284,304	307,319
Impairment/(Reversal of) losses in respect of accounts receivable and other receivables	423,142	(20,166)
Gain on other bond investments and held-to-maturity investments	(525,344)	(419,250)
(Gain)/Loss on disposal of property and equipment and other intangible assets	(1,023)	8,478
Foreign exchange losses, net	27,316	53,636
Net gains arising from available-for-sale investments	(881,126)	(768,831)
Impairment loss in respect of available-for-sale investments	200	1,165
Operating cash flows before movements in working capital	13,920,718	5,984,529
(Increase)/decrease in deposits and reserve funds and deposits with exchanges	(1,805,375)	330,819
Increase in loans and advances to customers	(37,418,063)	(16,126,609)
Increase in accounts and other receivables and prepayments	(3,480,057)	(833,862)
Increase in finance lease receivables	(7,797,373)	-
Increase in financial assets held under resale agreements	(54,079,096)	(6,802,424)
Increase in placements to banks and other financial institutions	(2,000,000)	-
Increase in financial assets at fair value through profit or loss	(10,202,954)	(15,171,801)
Increase in restricted bank deposits	(68,558)	(28,645)
Increase in cash held on behalf of clients	(38,164,631)	(4,396,285)
Increase in accounts payable to brokerage clients and other payables and accruals	44,283,245	4,619,196
Increase in financial liabilities at fair value through profit or loss	9,528,584	6,371,743
Increase in financial assets sold under repurchase agreements	47,869,071	10,406,682
Increase/(decrease) in placements from other financial institutions	13,150,000	(1,030,000)
Decrease in provisions	(247)	(403)
Cash used in operations	(26,264,736)	(16,677,060)
Income taxes paid, net	(1,352,783)	(1,015,046)
Interest paid	(1,720,873)	(1,149,715)
NET CASH USED IN OPERATING ACTIVITIES	(29,338,392)	(18,841,821)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
INVESTING ACTIVITIES			
Dividends received from associates and other investments		53,240	49,995
Purchases of property and equipment and intangible assets		(248,369)	(328,475)
Proceeds on disposal of property and equipment		4,683	8,521
Capital injection to associates and a joint venture		(3,290,842)	(431,134)
Proceeds on disposal of an associate		1,287	–
(Increase)/decrease in available-for-sale investments		(1,922,799)	1,892,488
Acquisition of subsidiaries	71	(3,784,038)	–
Increase in loan and receivable investments		(3,418,331)	(425,920)
Decrease in held-to-maturity investments		363,633	21,757
Payment on other investment activities		(52,748)	(228,135)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(12,294,284)	559,097
FINANCING ACTIVITIES			
Dividends paid		(1,308,536)	(1,257,727)
Purchase of additional interests in subsidiaries		(19,270)	(87,309)
Proceeds from issuance of subsidiaries' shares		646,557	661,153
Proceeds on disposal of partial interest in a subsidiary		152,725	–
Proceeds from borrowings raised		10,223,317	2,170,081
Borrowing interest paid		(850,361)	(123,742)
Proceeds from issuance of convertible bonds		904,471	802,159
Convertible bonds issuing cost paid		(3,946)	(27,932)
Non-convertible bond and short-term financing bills payables proceeds		37,026,874	20,462,805
Non-convertible bonds issuing cost paid		(48,008)	(122,329)
Bond interest paid		(1,114,008)	(5,384)
(Payments on)/Proceeds from other financing activities		(36,773)	19,416
NET CASH FROM FINANCING ACTIVITIES		45,573,042	22,491,191
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,940,366	4,208,467
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		20,372,606	16,361,970
Effect of foreign exchange rate changes		26,222	(197,831)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	41	24,339,194	20,372,606
Total interest paid		(3,689,188)	(1,306,773)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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, finance lease 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 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities
Amendments to IAS 39 IFRIC 21	Novation of derivatives and continuation of hedge accounting Levies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Impacts of the adoption of the new or amended IFRSs are discussed below:

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

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) 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 have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Group is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 39 Novation of derivatives and continuation of hedge accounting

The Group has applied the amendments to IAS39 novation of derivatives and continuation of hedge accounting for the first time in the current year.

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

IFRIC 21 Levies

The Group has applied the amendments to IFRIC 21 Levies for the first time in the current year.

IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. 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 application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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.

IFRS 9	Financial instruments ⁶
IFRS 14	Regulatory deferral accounts ⁴
IFRS 15	Revenue from contracts with customers ⁵
Amendments to IFRS 11	Accounting for acquisitions of interests in joint Operation ³
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation ³
Amendments to IAS 19	Defined benefit plans: Employee contributions ¹
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants ³
Amendments to IFRSs	Annual improvements to IFRSs 2010 – 2012 cycle ²
Amendments to IFRSs	Annual improvements to IFRSs 2011 – 2013 cycle ¹
Amendments to IFRSs	Annual improvements to IFRSs 2012 – 2014 cycle ³
Amendments to IAS 27	Equity method in separate financial statements ³
Amendments to IAS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to IAS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception ³
Amendments to IAS 1	Disclosure Initiative ³

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

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for first annual IFRS financial statements beginning on or after 1 January 2016

⁵ Effective for annual periods beginning on or after 1 January 2017

⁶ Effective for annual periods beginning on or after 1 January 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 “Financial instruments: Recognition and measurement” are 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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.

The directors of the Company anticipate that the application of IFRS 9 in the future may affect the classification and measurement of the Group’s financial assets and financial liabilities and it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 Revenue from contracts with customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have impact on the amounts reported and disclosures made in the Group’s consolidated financial statements and it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

Amendments to IFRS 11 Accounting for acquisitions of interests in joint operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“IFRS”) (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 a significant impact on the Group’s consolidated financial statements.

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 judgements 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)

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

Annual improvements to IFRSs 2010 – 2012 cycle (continued)

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 of the Company do not anticipate that the application of these amendments will have a material effect on the Group’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.

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 of the Company do not anticipate that the application of these amendments will have a material effect on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)

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

Annual improvements to IFRSs 2012 – 2014 cycle

The “Annual improvements to IFRSs 2012-2014 cycle” include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to IFRS 7 “Disclosure – Offsetting financial assets and financial liabilities” issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 “Interim financial reporting”.

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained profits at the beginning of that period.

The amendments to IAS 34 clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements

The directors of the Company do not anticipate that the application of these will have a material effect on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)

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

Amendments to IAS 27 Equity method in separate financial statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost
- In accordance with IFRS 9 Financial Instruments (or IAS 39 “Financial instruments: recognition and measurement for entities” that have not yet adopted IFRS 9), or
- Using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 Consolidated Financial Statements and to IAS 1 First time Adoption of International Financial Reporting Standards.

The directors of the Company anticipate that the application of these amendments to IAS 27 may change the measurement of investments accounted for using equity method on the Company’s separate financial statements.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor’s financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)

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

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (continued)

Amendments to IFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to IFRS 10 and IAS 28 will have a material impact on the Group’s consolidated financial statements.

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 and property that are measured at fair values or revaluation value) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

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 Share-based Payment 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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 and expense 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

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 sharebased 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Business combinations (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Investments accounted for using equity method (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Investments accounted for using equity method (continued)

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 2014

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 2014

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Leasing (continued)

The Group as lessor

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognised as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income. Unearned finance income is recognised as finance income for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Foreign currencies

In preparing the financial statements of some individual group entities, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Taxation (continued)

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.

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

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated at fair value through profit or loss and derivative financial assets.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

Financial assets (continued)

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

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).

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:

- a) those that the entity upon initial recognition designates as at fair value through profit or loss;
- b) those that the entity designates as available for sale; and
- c) 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale investments (continued)

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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, financial liabilities designated at fair value through profit or loss initially and derivative financial liabilities.

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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

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, under the circumstance the recognising time determined by the nature of hedge relationship, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

Derecognition (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Compound financial instruments (continued)

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;
- (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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

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.

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 2014

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 Group reviewed the estimates and underlying assumptions 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 Group reviewed the methodology and assumptions used for estimating both the amount and timing of future cash flows regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of finance lease receivables

The Group reviews its finance lease receivables to assess impairment on a regular basis. The impairment loss amount of an individual finance lease receivable is the net decrease in the present value of the estimated future cash flows and the evidence of impairment may include observable data indicating that there is a measurable decrease in the estimated future cash flows of the individual finance lease receivable. The Group periodically reviews its finance lease receivables to assess impairment except that there are known situation demonstrates impairment losses have occurred during that period. The Group makes judgments as to whether there is any observable data indicating that there is an impairment loss should be recorded in the statement of profit or loss from a portfolio of finance lease receivables before the decrease can be identified with an individual finance lease receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (continued)

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 21.

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.

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 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (continued)

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.

5. CHANGE IN AN ACCOUNTING ESTIMATE

The Company continuously re-visits accounting estimates including provision of doubtful debts in the financing business taking into account the relevant facts and circumstances and nature and exposure of risks. In performing impairment assessment and estimation of the recoverable amounts, the Company takes into account the impact of pledged securities' market risk, liquidity risk and legal risk under the current market circumstances. When more precise and objective facts and additional evidence are available, the Company will revise accounting estimates as appropriate. Such revise does not have a material impact on the Group's consolidated financial statements in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. COMMISSION AND FEE INCOME

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Commission on securities dealing, broking and handling fee income	5,939,819	4,228,623
Commission on futures and options contracts dealing and broking and handling fee income	404,187	461,784
Financial advisory and consultancy fee income	648,778	572,516
Underwriting and sponsors fees	1,309,095	736,777
Asset management fee income (including fund management income)	1,202,203	731,324
Commission on bullion contracts dealing	2,582	4,842
Others	9,506	15,322
	9,516,170	6,751,188

7. INTEREST INCOME

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Bank interest income	1,707,654	1,725,097
Interest income from loans and advances to customers	3,093,250	1,429,779
Interest income from financial assets held under resale agreements (<i>Note</i>)	1,457,645	411,585
Interest income from finance leases	1,428,656	–
Other interest income	12,766	104,504
	7,699,971	3,670,965

Note: In the current year, interest income from financial assets held under resale agreements includes the interest income from securities repo under “Circular on Promulgating the Measures on the Trading, Registration and Settlement of Agreed Repurchase Securities” issued by Shanghai Stock Exchange, which amounted to RMB236,809,000 (2013:RMB195,600,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. NET INVESTMENT GAINS

	2014	2013
	RMB'000	<i>RMB'000</i>
Net gains arising from available-for-sale investments	881,127	768,831
Net gains arising from financial assets/liabilities at fair value through profit or loss	1,527,736	1,980,963
Fair value change of financial instruments at fair value through profit or loss	2,737,653	(971,274)
Net gains arising from fair value hedge	36,141	53,516
Net gains arising from loan and receivable investments and others	526,005	318,002
	5,708,662	2,150,038

9. OTHER INCOME AND GAINS

	2014	2013
	RMB'000	<i>RMB'000</i>
Non-recurring government grants (<i>Note</i>)	182,761	116,697
Rental income from investment properties	13,658	15,141
Revenue arising from warehouse receipt and others	545,644	98,705
	742,063	230,543

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.

10. DEPRECIATION AND AMORTISATION

	2014	2013
	RMB'000	<i>RMB'000</i>
Depreciation of property and equipment	223,288	243,302
Depreciation of investment properties	3,160	3,329
Amortisation of other intangible assets	57,353	60,185
Amortisation of prepaid lease payments	503	503
	284,304	307,319

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. STAFF COSTS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Staff costs (including directors' remuneration (Note 62)):		
Salaries, bonus and allowances	3,507,114	2,122,618
Contributions to annuity plans and retirement schemes (Note)	374,951	232,808
Other social welfare	249,243	266,039
	4,131,308	2,621,465

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.

12. BROKERAGE TRANSACTION FEES AND OTHER SERVICES EXPENSES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Securities and futures dealing and broking expenses	797,413	469,610
Services expenses for underwriting, sponsorship, and financial advisory, etc.	70,609	44,598
	868,022	514,208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. INTEREST EXPENSES

	2014 RMB'000	2013 RMB'000
Interest on borrowings wholly repayable within five years:		
– bank loans and overdrafts	910,337	108,234
– deposit taken from other financial institutes	132,418	128,363
– financial assets sold under repurchase agreements (Note)	1,508,931	848,274
– accounts payable to brokerage clients	130,769	103,988
– advances from China Securities Finance Corporation Ltd.	158,157	139,498
– bond payables	1,489,349	152,392
– others	10,228	3,621
	4,340,189	1,484,370

Note: In the current year, interest expenses from financial assets sold under repurchase agreements includes the interest expenses from bond-pledged repo under Circular on “Promulgating the Measures on the Trading, Registration and Settlement of Pledge Style Repo” issued by Shenzhen Stock Exchange”, which amounted to RMB46,294,000 (2013: RMB66,992,000).

14. PROFIT BEFORE INCOME TAX

	2014 RMB'000	2013 RMB'000
The Group's profit before income tax is arrived at after charging (crediting):		
Auditors' remuneration	16,827	10,356
Includes: Annual audit fee for the Company	5,600	5,250
Other service fee provided by Company's auditors (including subsidiaries' audit fee)	7,728	1,060
Others	3,499	4,046
Impairment loss in respect of available-for-sale investments included in other expenses	200	1,165
Impairment/(reversal of)loss in respect of accounts receivable and other receivables included in other expenses	10,009	(20,166)
Impairment loss in respect of finance lease receivables included in other expenses	233,804	–
Impairment loss in respect of loans and advances to customers included in other expenses	114,107	1,114
Impairment loss in respect of financial assets held under resale agreements included in other expenses	59,321	–
(Gains)/losses on disposal of property and equipment and other intangible assets	(1,023)	8,478
Foreign exchange loss	27,316	53,636
Operating lease rentals in respect of rented premises	302,469	281,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. INCOME TAX EXPENSE

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax and other jurisdictions	1,546,923	1,255,647
Hong Kong Profits Tax	194,959	66,322
	1,741,882	1,321,969
Adjustments in respect of current income tax in relation to prior years:		
PRC Enterprise Income Tax and other jurisdictions	(5,480)	9,162
Hong Kong Profits Tax	1,500	(6,688)
	(3,980)	2,474
Deferred tax:		
Current period	563,469	(150,689)
	2,301,371	1,173,754

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% from 1 January 2008.

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 2014

15. 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:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit before income tax	10,420,394	5,454,748
Tax at the statutory tax rate of 25%	2,605,098	1,363,687
Effect of share of results of associates and joint ventures	(41,834)	(41,233)
Tax effect of expenses not deductible for tax purpose	145,098	50,844
Tax effect of income not taxable for tax purpose	(375,373)	(161,962)
Adjustments in respect of current income tax in relation to prior years	(3,980)	2,474
Effect of different tax rates of subsidiaries operating in other jurisdictions	(93,198)	(34,122)
Others	65,560	(5,934)
Tax charge	2,301,371	1,173,754

The Group has tax losses arising from its subsidiaries in Hong Kong of approximately RMB160 million and RMB139 million as at 31 December 2014 and 31 December 2013, 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 foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

16. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is as follows:

	2014 RMB'000	2013 RMB'000
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	7,710,623	4,035,024
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds (Note i)	26,575	10,673
Adjustment to the share of profit of a listed subsidiary based on dilution of its earnings per share (Notes i, ii)	(54,737)	(8,021)
Earnings for the purpose of diluted earnings per share	7,682,461	4,037,676
Number of shares for basic and diluted earnings per share:		
Number of shares in issue ('000)	9,584,721	9,584,721
Basic earnings per share	0.80	0.42
Diluted earnings per share	0.80	0.42

Notes:

- (i) On 18 July 2013 and 10 October 2013, a listed subsidiary of the Group issued convertible bonds of HKD776 million and HKD232 million respectively, which have been combined legally and constitute a single series. On 4 November 2014, the subsidiary further issued convertible bonds of HKD1,164 million. Details of the convertible bonds issued by the subsidiary are set out in note 57.

During the current year, parts of the convertible bonds issued by the subsidiary in prior year have been converted into ordinary shares of the subsidiary as set out in note 57, which created a potential dilutive effect to the basic earnings per share before their conversion.

As at 31 December 2014, the convertible bonds issued in 2013 and in current year that remain outstanding are convertible into ordinary shares of the subsidiary at a conversion price of HKD3.91, HKD4 and HKD6, respectively, 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.

- (ii) The computation of diluted earnings per share assumed the exercise of the subsidiary's outstanding share options with the exercise price lower than the average market price during the year ended 31 December 2014 and with the adjustment for the share options lapsed or exercised during the year.

As the exercise price of the subsidiary's share options was above the average share price of the subsidiary during the year ended 31 December 2013, the share options have no effect of dilutive potential ordinary shares for 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. 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 2014	1,012,010	627,474	730,124	165,014	131,255	4,440	2,670,317
Arising from acquisition of a subsidiary	-	3,561	1,818	411	1,362	-	7,152
Additions during the year	-	22,022	84,033	21,370	12,404	56,607	196,436
Net transfer in from investment properties	82,484	-	-	-	-	-	82,484
Disposals during the year	-	-	(3,048)	(15,432)	(1,372)	-	(19,852)
Transfer during the year	-	27,834	5,259	-	11	(33,104)	-
Exchange difference	8	-	240	4	98	-	350
As at 31 December 2014	1,094,502	680,891	818,426	171,367	143,758	27,943	2,936,887
ACCUMULATED DEPRECIATION							
As at 1 January 2014	278,347	467,925	535,430	104,275	82,354	-	1,468,331
Provided for the year	30,275	74,117	82,685	18,879	17,332	-	223,288
Net transfer in from investment properties	19,285	-	-	-	-	-	19,285
Eliminated on disposals	-	-	(41)	(14,745)	(68)	-	(14,854)
Exchange difference	1	-	221	3	85	-	310
As at 31 December 2014	327,908	542,042	618,295	108,412	99,703	-	1,696,360
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2014 & 31 December 2014	30,382	-	-	-	-	-	30,382
CARRYING VALUES							
As at 31 December 2014	736,212	138,849	200,131	62,955	44,055	27,943	1,210,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. 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 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 & 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

The carrying values of the Group's leasehold land and buildings are situated in Hong Kong and PRC with the following lease terms:

	2014 RMB'000	2013 RMB'000
Held in Hong Kong medium-term lease (10 – 50 years)	1,358	1,415
Held in PRC long-term lease (over 50 years)	734,854	701,866
	736,212	703,281

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. 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 2014	1,006,609	523,105	638,495	139,058	120,142	3,540	2,430,949
Additions during the year	-	9,966	70,685	15,971	7,113	51,771	155,506
Net transfer in from investment properties	82,484	-	-	-	-	-	82,484
Disposals during the year	-	-	(47,403)	(15,036)	(9,149)	-	(71,588)
Transfer during the year	-	27,834	14	-	11	(27,859)	-
As at 31 December 2014	1,089,093	560,905	661,791	139,993	118,117	27,452	2,597,351
ACCUMULATED DEPRECIATION							
As at 1 January 2014	277,813	385,205	481,258	92,301	81,032	-	1,317,609
Provided for the year	30,082	63,299	68,785	14,320	12,338	-	188,824
Net transfer in from investment properties	19,285	-	-	-	-	-	19,285
Eliminated on disposals	-	-	(45,407)	(14,388)	(8,027)	-	(67,822)
As at 31 December 2014	327,180	448,504	504,636	92,233	85,343	-	1,457,896
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2014 & 31 December 2014	30,382	-	-	-	-	-	30,382
CARRYING VALUES							
As at 31 December 2014	731,531	112,401	157,155	47,760	32,774	27,452	1,109,073

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For the year ended 31 December 2014

17. 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 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 & 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

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 2014 and 31 December 2013, included in leasehold land and buildings, there is a carrying amount of RMB39,065,000 and RMB40,466,000, 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 2014

18. INVESTMENT PROPERTIES

THE GROUP AND THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
COST		
At beginning of the year	120,094	120,094
Net transfer out to property and equipment	(82,484)	–
At end of the year	37,610	120,094
ACCUMULATED DEPRECIATION		
At beginning of the year	33,280	29,951
Provided for the year	3,160	3,329
Net transfer out to property and equipment	(19,285)	–
At end of the year	17,155	33,280
CARRYING VALUES		
At end of the year	20,455	86,814

The fair values of the Group and Company's investment properties at 31 December 2014 and 2013, were RMB92,444,000 and RMB227,616,000 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 were situated in the PRC with long-term lease.

19. GOODWILL

THE GROUP

Cost and carrying value

	2014/12/31 RMB'000	2013/12/31 RMB'000
At beginning of the year	623,072	642,398
Additional amount in respect of business combination (Note 71)	1,968,860	–
Exchange adjustments	8,684	(19,326)
At end of the year	2,600,616	623,072

Particulars regarding impairment testing on goodwill are disclosed in note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. OTHER INTANGIBLE ASSETS

THE GROUP

	Trading rights RMB'000	Computer software RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
COST					
As at 1 January 2014	220,617	380,430	50,154	1,361	652,562
Arising from acquisition of a subsidiary	–	4,598	–	–	4,598
Additions during the year	2,817	46,232	–	2,366	51,415
Disposals during the year	–	(1,144)	(5)	–	(1,149)
Transfer during the year	–	1,361	–	(1,361)	–
As at 31 December 2014	223,434	431,477	50,149	2,366	707,426
ACCUMULATED AMORTISATION					
As at 1 January 2014	118,400	245,190	32,847	–	396,437
Provided for the year	–	54,464	2,889	–	57,353
Eliminated on disposals	–	(1,144)	(5)	–	(1,149)
As at 31 December 2014	118,400	298,510	35,731	–	452,641
CARRYING VALUES					
As at 31 December 2014	105,034	132,967	14,418	2,366	254,785
As at 31 December 2013					
	Trading rights RMB'000	Computer software RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. 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 2014	215,420	163,063	48,160	1,361	428,004
Additions during the year	2,800	29,712	–	1,741	34,253
Disposals during the year	–	(1,144)	(5)	–	(1,149)
Transfer during the year	–	1,361	–	(1,361)	–
As at 31 December 2014	218,220	192,992	48,155	1,741	461,108
ACCUMULATED AMORTISATION					
As at 1 January 2014	118,400	125,108	31,449	–	274,957
Provided for the year	–	27,170	2,709	–	29,879
Eliminated on disposals	–	(1,144)	(5)	–	(1,149)
As at 31 December 2014	118,400	151,134	34,153	–	303,687
CARRYING VALUES					
As at 31 December 2014	99,820	41,858	14,002	1,741	157,421

	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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

21. 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 19 has been allocated into three individual cash generating units (CGUs), including one subsidiary in Shanghai ("Unit A") and one subsidiary in Hong Kong ("Unit B") and one subsidiary acquired by the Group during the year which headquarters is in Hong Kong and operates mainly in Shanghai ("Unit C"). The carrying amounts of goodwill as at 31 December 2014 and 2013 allocated to these units are as follows:

	2014/12/31 <i>RMB'000</i>	2013/12/31 <i>RMB'000</i>
Unit A – Haitong Futures Co., Ltd.	5,896	5,896
Unit B – Haitong International Securities Group Limited	619,248	617,176
Unit C – Haitong UT Capital Group Co., Ltd. ("UT Capital")	1,975,472	–
	2,600,616	623,072

During the year ended 31 December 2014 and 31 December 2013, management of the Group determined that there are no impairments of any of its CGUs containing goodwill as the recoverable amounts of Unit A, Unit B and Unit C 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, Unit B and Unit C 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% and 4.4% for Unit A and Unit B, respectively, as at 31 December 2014 (31 December 2013: 8% and 5.5% for Unit A and Unit B, respectively). The discount rate used for Unit C is 13% at 31 December 2014. 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, Unit B or Unit C to exceed their respective aggregate recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

21. 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 2014 and 31 December 2013.

22. PRINCIPAL SUBSIDIARIES

Investment costs and balances with subsidiaries:

	2014/12/31 RMB'000	2013/12/31 RMB'000
Unlisted shares, at cost	16,111,180	14,083,380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. 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 2014	As at 31 December 2013		
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%	RMB6,000,000,000	Provision of advisory services and proprietary trading
海通國際控股有限公司 Haitong International Holdings Limited ^{β π} ("HTIH")	Hong Kong	100%	100%	HKD6,000,000,000	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} ("HISGL")	Bermuda	66.52%	71.76%	HKD218,439,702	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 Ω}	PRC	100%	100%	RMB1,200,000,000	Securities investment management
海通恒信金融集團有限公司 Haitong UT Capital Group Co., Limited ^γ	Hong Kong	100%	–	RMB3,429,118,000	Finance Leasing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. 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 23 April 2014, the Subsidiary announced a rights issue on the basis of 1 rights share for every 2 existing shares. The Rights Issue was subsequently completed on 30 May 2014 and 697,979,812 rights shares were issued on 3 June 2014.
- ^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, issued convertible bonds in principal amount of HKD232 million at 105% on 10 October 2014 and further issued convertible bonds in principal amount of HKD1,164 million at 98.5% on 14 November 2014. HKD325,000,000 of the convertible bonds issued in 2013 were converted into ordinary shares this year. Details are set out in Note 57.
- ^δ On 13 March 2014, the Company injected RMB250million to HCICL. The registered capital of HCICL became 6 billion after the injection.
- ^γ On 15 January 2014, the Company's wholly-owned subsidiary HTIH acquired 100% shares of UT Capital Group from an independent third party, UT Capital Holdings. Details are set out in Note 71.
- ^π On 11 November 2014, the Company exercised the conversion option on the convertible bonds issued by HTIH to convert HKD 2,000 million (equivalent to RMB 1,577,800,000) of principal to ordinary share with the same amount.
- ^Ω On 13 March 2014, the Company injected RMB 200million to Shanghai Haitong Securities Asset Management Company Limited. The registered capital of Shanghai Haitong Securities Asset Management Company Limited became 1.2 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	
		31/12/2014	31/12/2013	31/12/2014 RMB'000	31/12/2013 RMB'000	31/12/2014 RMB'000	31/12/2013 RMB'000
HISGL	Bermuda	33.48%	28.24%	250,225	121,710	2,270,373	1,092,261

Summarised financial information in respect HISGL is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2014/12/31 RMB'000	2013/12/31 RMB'000
Current assets	34,654,438	21,004,296
Non-current assets	3,337,521	2,140,825
Current liabilities	25,692,862	18,169,906
Non-current liabilities	5,517,574	1,106,765
Total equity	6,781,523	3,868,450
Non-controlling interests of the subsidiary	2,270,373	1,092,261

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22. PRINCIPAL SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Total income	2,182,815	1,308,899
Total expenses	(1,379,533)	(892,067)
Profit for the year	803,282	416,832
Other comprehensive income	(22,610)	39,894
Total comprehensive income for the year	780,672	456,726
Total comprehensive income attributable to the non-controlling interests of the subsidiary	241,859	132,028
Dividends paid to non-controlling interests	75,641	41,491
Net cash (outflow) from operating activities	(5,933,153)	(4,763,733)
Net cash inflow from financing activities	9,310,672	5,235,529
Net cash (outflow) from investing activities	(1,209,471)	(455,924)
Net cash inflow	2,168,048	15,872

23. 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 2014 and 2013, and the results and cash flows for the years ended 31 December 2014 and 2013, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities directly held by the Group amounted to fair value of RMB1,230,671,000 and RMB694,373,000 at 31 December 2014 and 2013, respectively. It contains the interests in the subordinated tranche of those structured products held by the Group. The Group provides credit enhancement to the priority tranche investors by holding such subordinated tranche interests. As at 31 December 2014, the fair value of the Group's interests in the subordinated tranche of those structured products is RMB754,189,000.

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 statement of financial position.

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24. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

THE GROUP

	2014/12/31 <i>RMB'000</i>	2013/12/31 <i>RMB'000</i>
Associates:		
Cost of unlisted investments in associates	3,507,070	1,873,265
Share of post-acquisition profits and other comprehensive income, net of dividends received	384,736	224,011
Joint ventures:		
Cost of unlisted investments in joint ventures	1,779,113	122,076
Share of post-acquisition profits and other comprehensive income, net of dividends received	15,222	11,917
	5,686,141	2,231,269

THE COMPANY

	2014/12/31 <i>RMB'000</i>	2013/12/31 <i>RMB'000</i>
Cost of unlisted investments in associates	92,907	92,907

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24. 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 2014	As at 31 December 2013	
Joint ventures				
Haitong-AC Asian Special Opportunities Fund	Cayman Islands	43.6%	43.6%	Investment holding
New Bridge China Auto Caymans L.P. – client (“New Bridge”)	Cayman Islands	38.9%	–	Investing in securities
Harveston Asset Management Pte. Ltd	Singapore	50%	–	Fund management
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
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%	42.83%	Investing in securities
山東華安新材料有限公司 Shandong Hua'an New Material Co.,Ltd*	PRC	21.71%	21.71%	Manufacturing
Trinitus Asset Management Limited	Hong Kong	20%	20%	Investment management services
Diamond Head Capital International, Ltd Class E	Cayman Islands	28.35%	31.43%	Investment holding
上海並購股權投資基金 合夥企業(有限合夥) Shanghai Equity Investment Fund Limited Partnership	PRC	37.12%	–	Investing in securities

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24. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Details of investments accounted for using equity method: (continued)

Name	Place of incorporation/ establishment	Equity interest held by the Group		Principal activities
		As at 31 December 2013	As at 31 December 2012	
海通(吉林)現代服務業創業 投資基金合夥企業(有限合夥) Haitong (Jilin) Modern Service Industry Investment Fund Limited Partnership	PRC	34.71%	–	Investing in securities
杭州遼通鼎能股權投資合夥企業 Hangzhou Liao Tong Ding Neng Equity Investment Fund Limited Partnership	PRC	29%	–	Investing in securities
西安海創之星創業投資有限合夥企業 Xi'an Hai Chuang Zhi Xing Venture Investment Limited Partnership	PRC	37.9%	–	Investing in securities
Haitong CSI300 Index ETF	Hong Kong	31.9%	–	Investing in securities
海富金匯(天津)資本管理企業(有限合夥) HFT Jinhui (Tianjin) Capital Management Enterprise (Limited Partnership) (Note)	PRC	–	65.00%	Investing in securities

* English translated name is for identification only.

Note: The Group's subsidiary has completely disposed the investment in the joint venture in 2014.

Except for Haitong CSI300 Index ETF, both joint ventures and associates are unlisted entities without quoted market price available.

As at 31 December 2014, the fair value of the Group's interest in Haitong CSI300 Index ETF, which is listed on The Stock Exchange of Hong Kong Limited, was HKD303 million (equivalent to RMB239 million) based on the quoted market price available on The Stock Exchange of Hong Kong Limited, which is a level 1 input in terms of IFRS 13.

All of these associates and joint ventures are accounted for using the equity method in these consolidated financial statements.

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24. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

The financial information of Fullgoal Fund Management Co., Ltd, which is an individually significant associate to the Group, is set out below:

Fullgoal Fund Management Co., Ltd

	2014/12/31	2013/12/31
	RMB'000	RMB'000
Total assets	2,208,486	1,384,604
Total liabilities	692,980	286,982
Net assets	1,515,506	1,097,622
Total revenue	1,242,924	1,042,807
Net profit	383,838	289,794
Total comprehensive income	417,884	296,585

Reconciliation of the above financial information to the carrying amount of the interest in above associate recognised in the financial statements:

	2014/12/31	2013/12/31
	RMB'000	RMB'000
Equity attributable to equity holders of the associate	1,515,506	1,097,622
Proportion of equity interests held by the Group	27.775%	27.775%
Other adjustments	-	1,503
Carrying amount	420,932	306,368

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24. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Aggregate information of associates that are not individually material:

	2014	2013
	RMB'000	RMB'000
The Group's share of profit	60,723	23,308
The Group's share of other comprehensive income	56,002	3,413
The Group's share of total comprehensive income	116,725	26,721
Aggregate carrying amount of the Group's interests in these associates and the joint ventures	5,265,209	1,111,559

25. FINANCE LEASE RECEIVABLES

THE GROUP

	2014/12/31	2013/12/31
	RMB'000	RMB'000
Minimum lease payments to be received	23,962,578	—
Less: unrealized finance income	(3,411,212)	—
Balance of finance lease receivables	20,551,366	—
Less: Allowance for impairment	(325,897)	—
Finance lease receivables, net	20,225,469	—
Analysis by statement purpose		
Current assets	7,399,072	—
Non-current assets	12,826,397	—
	20,225,469	—

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25. FINANCE LEASE RECEIVABLES (continued)

THE GROUP (continued)

Minimum lease payments to be received and the corresponding present value are as follows:

	2014/12/31		2013/12/31	
	Minimum lease payments <i>RMB'000</i>	Present Value <i>RMB'000</i>	Minimum lease payments <i>RMB'000</i>	Present Value <i>RMB'000</i>
Within 1 year	8,797,021	7,544,713	–	–
1 – 2 years	6,521,894	5,593,465	–	–
2 – 3 years	4,433,903	3,802,712	–	–
Over 3 years	4,209,760	3,610,476	–	–
Total	23,962,578	20,551,366	–	–
Unrealized finance income	(3,411,212)	N/A	–	N/A
Balance of finance lease receivables	20,551,366	20,551,366	–	–
Allowance for impairment	(325,897)	(325,897)	–	–
Finance lease receivables, net	20,225,469	20,225,469	–	–

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25. FINANCE LEASE RECEIVABLES (continued)

Analysis by industries

	2014/12/31		2013/12/31	
	Carrying amount RMB'000	Percentage (%)	Carrying amount RMB'000	Percentage (%)
Education	10,416,174	43.47	–	–
Healthcare	5,524,151	23.05	–	–
Printing & Packaging	2,211,345	9.23	–	–
Machinery processing	2,592,763	10.82	–	–
Motor vehicles	962,798	4.02	–	–
Agricultural and forestry machinery	865,660	3.61	–	–
Textile	217,147	0.91	–	–
Electronics	526,523	2.20	–	–
Plastic	175,921	0.73	–	–
Energy saving and environmental protection	292,818	1.22	–	–
Others	177,278	0.74	–	–
Total	23,962,578	100.00	–	–
Unrealized finance income	(3,411,212)		–	
Balance of finance lease receivables	20,551,366		–	
Allowance for impairment	(325,897)		–	
Finance lease receivables, net	20,225,469		–	

Allowance for impairment:

	2014/12/31			2013/12/31		
	Individual assessment RMB'000	Collective assessment RMB'000	Total RMB'000	Individual assessment RMB'000	Collective assessment RMB'000	Total RMB'000
As at the beginning of the year	–	–	–	–	–	–
Addition during the year	188,171	269,598	457,769	–	–	–
Written off during the year	(131,872)	–	(131,872)	–	–	–
As at the end of the year	56,299	269,598	325,897	–	–	–

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For the year ended 31 December 2014

26. 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 23, 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 net assets of unconsolidated asset management plans managed by the Group amounted to RMB10,250,000,000 and RMB6,500,000,000 as at 31 December 2014 and 2013, respectively. The Group classified the investments in unconsolidated funds and asset management products as available-for-sale financial investments as appropriate. At the end of 2014, the carrying amount of the Group's interest in unconsolidated management plans is RMB2,528,000,000, which approximates the maximum risk exposure of the Group, and assets management fee income is RMB327,000,000.

27. AVAILABLE-FOR-SALE INVESTMENTS

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
Debt securities	1,814,512	1,579,670
Equity securities	4,730,988	4,460,217
Funds	930,017	1,095,378
Others (Note iv)	5,229,877	2,537,513
	12,705,394	9,672,778
Analysed as:		
Listed in Hong Kong	–	12,088
Listed outside Hong Kong (primarily in the PRC)	2,934,366	3,471,268
Unlisted	9,771,028	6,189,422
	12,705,394	9,672,778
Analysed as:		
Listed equity securities (Note ii)	1,492,524	1,835,251
Unlisted equity securities (Note i)	3,238,464	2,624,966
	4,730,988	4,460,217
Analysed for reporting purpose as:		
Current assets	3,990,608	4,951,872
Non-current assets	8,714,786	4,720,906
	12,705,394	9,672,778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. AVAILABLE-FOR-SALE INVESTMENTS (continued)

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
Debt securities (Note v)	4,062,792	5,392,885
Equity securities	1,311,733	1,806,211
Funds	382,776	260,382
Others (Note iv)	4,350,745	1,070,174
	10,108,046	8,529,652
Analysed as:		
Listed outside Hong Kong (primarily in the PRC)	2,585,643	3,288,206
Unlisted	7,522,403	5,241,446
	10,108,046	8,529,652
Analysed as:		
Listed equity securities (Note iii)	1,216,754	1,711,032
Unlisted equity securities (Note i)	94,979	95,179
	1,311,733	1,806,211
Analysed for reporting purpose as:		
Current assets	3,414,042	3,551,083
Non-current assets	6,694,004	4,978,569
	10,108,046	8,529,652

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 RMB588,601,000 and RMB263,587,000 as at 31 December 2014 and 31 December 2013, 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 2014

27. AVAILABLE-FOR-SALE INVESTMENTS (continued)

THE COMPANY (continued)

Notes: (continued)

- (iii) Included in the Company's listed equity securities are amounts of approximately RMB420,461,000 and RMB151,456,000 as at 31 December 2014 and 31 December 2013, respectively, are restricted shares listed in the PRC with a legally enforceable restriction on these securities that prevents the Company to dispose within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.
- (iv) Except for the investment described below, 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.

On 28 November 2014, the Group entered into a subscription agreement to acquire a HKD2,100,000,000 fixed rate bond bearing interest at 26% per annum due on 27 November 2017 issued by a third party company (the "Company A").

On 5 December 2014, the Group further entered into another subscription agreement to acquire preference shares issued by Company A, which is holding approximately 61.13% interests in New Bridge as a limited partner as set out in note 24, for a subscription price of HKD500,000,000 with maturity date on 5 December 2017 (the "Maturity Date"). The preference shares is non-interest bearing and the holder of preference shareholder is entitled to the dividend distribution by Company A. Pursuant to the Shareholder Deed of Company A dated 5 December 2014, the ordinary shareholder who is also a third party to the Group, agrees to buy, all the preference shares held by the Group, on the Maturity Date. The sale price of the preference share held by the Group shall be equivalent to the subscription price of HKD500,000,000 of all the preference shares.

Taking into account the economic substance reflected by contract terms related to the dividend distribution entitlement of preference shares of Company A together with the sales back arrangement being considered protective in nature, the Group accounts for the preference share together with the fixed rate bond to be presented as available-for-sale debt investments.

- (v) As of 31 December 2014, debt securities of the Company include convertible bonds issued by HTIH with book value of RMB2,248,280,000 (31 December 2013: 3,813,215,000).

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 2014 and 31 December 2013, 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 RMB233,826,000 and RMB294,226,000 to external clients. Since the arrangement will be settled by the securities with the same quantity lent, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.

RMB6,049,313,000 and RMB1,350,325,000 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 45).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

28. LOAN AND RECEIVABLE INVESTMENTS

THE GROUP

	2014/12/31	2013/12/31
	RMB'000	RMB'000
Trust products (note)	2,316,600	2,013,300
Structured products (note)	4,861,063	877,756
Bond	639,774	1,024,199
	7,817,437	3,915,255
Analysed for reporting purpose as:		
Current assets	3,347,033	2,086,056
Non-current assets	4,470,404	1,829,199
	7,817,437	3,915,255

THE COMPANY

	2014/12/31	2013/12/31
	RMB'000	RMB'000
Trust products (Note)	13,000	-
Structured products (Note)	2,090,000	-
Others (Note)	2,450	-
	2,105,450	-
Analysed for reporting purpose as:		
Current assets	1,302,450	-
Non-current assets	803,000	-
	2,105,450	-

Note: The above products mainly 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. HELD-TO-MATURITY INVESTMENTS

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
Debt securities listed in Hong Kong	312,822	634,962
Analysed for reporting purpose as:		
Current assets	3,006	281,613
Non-current assets	309,816	353,349
	312,822	634,962

As at 31 December 2014, the fair value of the held-to-maturity investments was approximately RMB314,734,000 (2013: RMB636,386,000). The related interest rates on such bonds for the year ended 31 December 2014 ranged between 4.1% -11.75 % per annum (2013: between 2.95% – 13.75% per annum).

30. OTHER ASSETS

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
Foreclosed assets	33,485	33,485
Deposits with the Hong Kong Stock Exchange	1,183	1,181
Contributions to reserve funds of		
– HKFE Clearing Corporation Limited	6,577	4,557
– The SEHK Options Clearing House Limited	13,723	6,786
Deposits for trading rights	23,302	28,715
Prepaid lease payments	15,508	16,011
Others	37,455	–
	131,233	90,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. OTHER ASSETS (continued)

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
Foreclosed assets	33,485	33,485
Deposits for trading rights	–	9,397
Prepaid lease payments	15,508	16,011
	48,993	58,893

31. LOANS AND ADVANCES TO CUSTOMERS

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
Loans to margin clients (Note i)	63,563,468	25,759,839
Other advances to customers (Note ii)	1,435,112	1,706,571
Less: Allowance for doubtful debts (Note i)	115,221	1,114
	64,883,359	27,465,296
Analysed for reporting purpose as:		
Current	64,883,359	26,531,096
Non-current	–	934,200
	64,883,359	27,465,296

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

31. LOANS AND ADVANCES TO CUSTOMERS (continued)

Movements in the allowance for doubtful debts are as follows:

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
At beginning of the year	1,114	–
Provision of impairment allowance, net	114,107	1,114
At end of the year	115,221	1,114

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
Loans to margin clients (Note i)	56,873,594	19,518,414
Less: Allowance for doubtful debts	115,221	1,114
	56,758,373	19,517,300
Analysed for reporting purpose as:		
Current	56,758,373	19,517,300

Movements in the allowance for doubtful debts are as follows:

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
At beginning of the year	1,114	–
Provision of impairment allowance, net	114,107	1,114
At end of the year	115,221	1,114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

31. LOANS AND ADVANCES TO CUSTOMERS (continued)

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 up the shortfall.

Loans to margin clients as at 31 December 2014 and 31 December 2013 were secured by the customers' securities to the Group as collateral with undiscounted market value of approximately RMB173,687,256,000 and RMB78,898,188,000, respectively.

Loans to margin clients as at 31 December 2014 and at 31 December 2013 were secured by the customers' securities to the Company as collateral with undiscounted market value of approximately RMB134,841,930,000 and RMB50,524,423,000 respectively.

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 from 3 month to 1 year (2013: within 3 year), and bear interest at Hong Kong prime rate minus 1.5% to Hong Kong prime rate plus 7% or at a fixed rate of 4% to 11% per annum (2013: 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

32. ACCOUNTS RECEIVABLE

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
Accounts receivable from:		
– Cash clients	97,432	115,618
– Brokers, dealers and clearing house	3,194,489	1,373,047
– Advisory and financial planning	7,099	7,990
– Asset and fund management	318,937	120,642
– Clients for subscription of new shares in IPO (Note)	688,524	228
– Others	115,188	29,855
	4,421,669	1,647,380
Less: allowance for doubtful debts on accounts receivable	37,315	122
	4,384,354	1,647,258

Note: Clients for subscription of new shares in IPO is from a Hong Kong subsidiary. Accounts receivable from clients arising from financing of IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules. As at 31 December 2014, the settlement date is 8 January 2015.

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
Accounts receivable from:		
– Cash Clients	33	259
– Brokers, dealers and clearing house	358,033	4,224
– Others	30,810	7,805
	388,876	12,288
Less: allowance for doubtful debts on accounts receivable	971	61
	387,905	12,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

32. ACCOUNTS RECEIVABLE (continued)

Movements in the allowance for doubtful debts are as follows:

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
At beginning of the year	122	–
Addition during the year	37,193	122
At end of the year	37,315	122

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
At beginning of the year	61	–
Provision of impairment allowance, net	910	61
At end of the year	971	61

Ageing analysis of accounts receivable from the trade date is as follows:

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
Between 0 and 3 months	4,230,641	1,618,954
Between 4 and 6 months	66,605	15,597
Between 7 and 12 months	60,034	8,023
Over 1 year	27,074	4,684
	4,384,354	1,647,258

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For the year ended 31 December 2014

32. ACCOUNTS RECEIVABLE (continued)

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
Between 0 and 3 months	354,377	12,227
Between 4 and 6 months	27,995	–
Between 7 and 12 months	633	–
Over 1 year	4,900	–
	387,905	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.

33. OTHER RECEIVABLES AND PREPAYMENTS

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
Interest receivable	1,621,413	1,441,683
Dividend receivable	–	30,000
Expenses for underwriting business to be settled by clients	320	420
Other receivables and prepayments (Note ii)	1,318,266	915,102
	2,939,999	2,387,205
Less: allowance for doubtful debts on other receivables (Note i)	(486,027)	(497,857)
	2,453,972	1,889,348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. OTHER RECEIVABLES AND PREPAYMENTS (continued)

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
Interest receivable	1,264,035	1,142,697
Dividend receivable	–	30,000
Expenses for underwriting business to be settled by clients	320	420
Other receivables and prepayments	652,331	724,965
	1,916,686	1,898,082
Less: allowance for doubtful debts on other receivables (Note i)	(485,632)	(497,728)
	1,431,054	1,400,354

Movements in the allowance for doubtful debts are as follows:

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
At beginning of the year	497,857	520,092
Reversal of impairment allowance, net	(21,360)	(20,288)
Recoveries of other receivables previously written off	9,557	7,448
Amounts written off during the year	(27)	(9,395)
At end of the year	486,027	497,857

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
At beginning of the year	497,728	510,691
Reversal of impairment allowance, net	(21,626)	(20,399)
Recoveries of other receivables previously written off	9,557	7,448
Amounts written off during the year	(27)	(12)
At end of the year	485,632	497,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

33. OTHER RECEIVABLES AND PREPAYMENTS (continued)

Notes:

- (i) 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 2014, amounts of RMB87,088,000 (2013: RMB65,105,000) of the above receivable were recovered. In 2014, amounts of RMB21,983,000 (2013: RMB18,764,000) of the above receivable were recovered.
- (ii) Included in the balance represents the deposit of RMB423,851,000 paid by the Group's Hong Kong subsidiary for the proposed acquisition. Details of the current status of the proposed acquisition is described in note 72.

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.

34. 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.

35. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
Analysed by collateral type:		
Stock (Note)	39,366,954	8,095,083
Bonds	12,703,535	902,240
Fund	53,921	39,670
Structured products	11,101,000	–
Less: Allowance for doubtful debts	(59,321)	–
	63,166,089	9,036,993
Analysed by market:		
Stock Exchange	44,092,885	8,533,982
Inter-bank	8,031,525	107,000
Over the counter ("OTC")	11,101,000	396,011
Less: Allowance for doubtful debts	(59,321)	–
	63,166,089	9,036,993
Analysed for reporting purpose as:		
Current	52,873,455	9,036,993
Non-current	10,292,634	–
	63,166,089	9,036,993

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35. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

THE COMPANY

	2014/12/31	2013/12/31
	RMB'000	<i>RMB'000</i>
Analysed by collateral type:		
Stock (<i>Note</i>)	33,632,789	7,605,912
Bonds	12,256,084	12,340
Fund	53,922	39,670
Structured products	11,101,000	–
Less: Allowance for doubtful debts	(59,321)	–
	56,984,474	7,657,922
Analysed by market:		
Stock Exchange	38,000,806	7,657,922
Inter-bank	7,941,989	–
OTC	11,101,000	–
Less: Allowance for doubtful debts	(59,321)	–
	56,984,474	7,657,922
Analysed for reporting purpose as:		
Current	47,966,639	7,657,922
Non-current	9,017,835	–
	56,984,474	7,657,922

Note: The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group and the Company with a commitment to purchase the specified securities at a future date with an agreed price.

As of 31 December 2014, for the Group, the fair value of these agreements within one year was RMB30,248,250,000 (2013: RMB8,095,083,000), the fair value of these agreements beyond one year was RMB9,118,704,000 (2013: nil);

As of 31 December 2014, for the Company, the fair value of these agreements within one year was RMB24,602,085,000 (2013: RMB7,605,912,000), the fair value of these agreements beyond one year was RMB9,030,704,000 (2013: nil).

As of 31 December 2014, the fair value of the collateral was RMB130,374,519,000 (2013: RMB20,993,516,000).

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36. PLACEMENTS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

THE GROUP AND THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
Domestic bank	2,000,000	–

37. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
Debt securities	31,361,176	32,207,768
Equity securities	14,011,074	6,940,629
Funds	11,174,523	8,394,003
Others	611,453	–
Derivative instruments	642,211	47,647
	57,800,437	47,590,047
Analysed as:		
Listed in Hong Kong	4,257,201	210,048
Listed outside Hong Kong (primarily in the PRC)	30,679,218	31,906,580
Unlisted (Notes (i), (ii))	22,864,018	15,473,419
	57,800,437	47,590,047
Analysed for reporting purpose as:		
Current assets	56,273,055	47,590,047
Non-current assets (Note (ii))	1,527,382	–
	57,800,437	47,590,047

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37. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

THE COMPANY

	2014/12/31	2013/12/31
	RMB'000	<i>RMB'000</i>
Debt securities	21,513,362	24,453,808
Equity securities	8,688,195	6,247,544
Funds	4,850,407	6,823,986
Others	686,907	–
Derivative instruments	44,514	–
	35,783,385	37,525,338
Analysed as:		
Listed in Hong Kong	20,652	–
Listed outside Hong Kong (primarily in the PRC)	24,800,735	25,886,437
Unlisted (<i>Note i</i>)	10,961,998	11,638,901
	35,783,385	37,525,338

Notes:

- (i) Unlisted financial assets at fair value through profit or loss of the Group and the Company include unlisted bond, funds and structured products, which were classified as held for trading financial assets, the underlying investments of unlisted funds and structured products mainly consist of publicly traded equities and bonds listed in Hong Kong and in mainland China.
- (ii) Unlisted financial assets at fair value through profit or loss include financial assets acquired by the Group which are driven by the issued structured products and become its underlying investments and hedging items for the risk of economic exposure on these issued structured products as set out in note 49.

These financial assets are designated at fair value as such instruments, as well as the financial instruments which they are hedging, are risk managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

For these financial assets in connection with structured products with the maturity more than one year, they are classified as non-current assets as they are not expected to be settled within one year.

As at 31 December 2014, 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 RMB87,187,000 (2013: RMB46,596,000) to external clients. Since the arrangement will be settled by the securities with the same quantity lend, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.

Details of derivative instruments are set out in the note 48.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38. DEPOSITS WITH EXCHANGES

THE GROUP

	2014/12/31 <i>RMB'000</i>	2013/12/31 <i>RMB'000</i>
Deposits with stock exchanges		
– Shanghai Stock Exchange	125,160	68,973
– Shenzhen Stock Exchange	66,914	48,576
– National Equities Exchange and Quotations	828	–
	192,902	117,549
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	978,614	854,953
– Dalian Commodity Exchange	458,367	447,736
– Zhengzhou Commodity Exchange	308,344	284,600
– China Financial Futures Exchange	2,923,021	1,801,083
– Shanghai Gold Exchange	120	–
	4,668,466	3,388,372
Guarantee fund paid to Shanghai Stock Exchange	16,596	11,951
Guarantee fund paid to Shenzhen Stock Exchange	16,812	11,730
Deposit with China Securities Finance Corporation Ltd.	597,021	164,233
Deposit with Shanghai Clearing House	3,867	–
	5,495,664	3,693,835

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38. DEPOSITS WITH EXCHANGES (continued)

THE COMPANY

	2014/12/31 <i>RMB'000</i>	2013/12/31 <i>RMB'000</i>
Deposits with stock exchanges		
– Shanghai Stock Exchange	113,940	62,000
– Shenzhen Stock Exchange	61,211	43,989
– National Equities Exchange and Quotations	828	–
	175,979	105,989
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	–	780,546
– Shanghai Gold Exchange	120	–
	120	780,546
Guarantee fund paid to Shanghai Stock Exchange	16,596	11,951
Guarantee fund paid to Shenzhen Stock Exchange	16,812	11,730
Deposit with China Securities Finance Corporation Ltd.	597,021	164,233
Deposit with Shanghai Clearing House	3,867	–
	810,395	1,074,449

39. CLEARING SETTLEMENT FUNDS

THE GROUP

	2014/12/31 <i>RMB'000</i>	2013/12/31 <i>RMB'000</i>
Clearing settlement funds held with clearing houses for:		
The Group	1,281,263	1,563,201
Clients	13,537,613	4,187,852
	14,818,876	5,751,053

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

39. CLEARING SETTLEMENT FUNDS (continued)

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
Clearing settlement funds held with clearing houses for:		
The Company	1,201,146	1,464,096
Clients	12,706,660	2,901,547
	13,907,806	4,365,643

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.

40. BANK BALANCES AND CASH

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
General accounts	23,495,626	19,158,636
Cash held on behalf of clients (Note i)	62,592,458	33,777,588
	86,088,084	52,936,224
Less: non-current restricted bank deposits (Note ii)	(384,473)	(349,231)
	85,703,611	52,586,993

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
General accounts	16,313,462	9,011,142
Cash held on behalf of clients (note i)	47,551,791	23,575,711
	63,865,253	32,586,853

Bank balances and cash comprise of cash on hand and demand deposits which bear interest at the prevailing market rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

40. BANK BALANCES AND CASH (continued)

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 45). 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.

41. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

THE GROUP

	2014/12/31 <i>RMB'000</i>	2013/12/31 <i>RMB'000</i>
Bank balances and cash – general account	23,495,626	19,158,636
Less: Restricted bank deposits	(437,695)	(349,231)
Clearing settlement funds – the Group	1,281,263	1,563,201
	24,339,194	20,372,606

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

42. BORROWINGS

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
Secured borrowings:		
Short-term borrowings (Notes (i, iii))	6,985,632	2,206,850
Long-term borrowings (Notes (i, iii))	8,928,533	–
Unsecured borrowings:		
Short-term borrowings (Note iii)	8,176,114	3,589,545
Long-term borrowings (Note iii)	254,979	–
	24,345,258	5,796,395
Current liabilities:		
Short-term borrowings (Note ii)	15,161,746	5,796,395
Long-term borrowings due within one year	4,645,828	–
	19,807,574	5,796,395
Non-current liabilities:		
Long-term borrowings	4,537,684	–
	24,345,258	5,796,395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

42. BORROWINGS (continued)

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 <i>RMB'000</i>
Unsecured borrowings:		
Long-term borrowings	25,890	–
	25,890	–
Non-current liabilities:		
Long-term borrowings	25,890	–
	25,890	–

Notes:

- (i) Bank loans of approximately RMB2,482 million as at 31 December 2014 (31 December 2013: approximately RMB2,207 million), are secured by the listed shares pledged to the Group as collateral for advances to customers (with customers' consent) of approximately RMB6,780 million as at 31 December 2014 (31 December 2013: approximately RMB5,956 million), respectively.

Bank loans of approximately RMB9,205 million as at 31 December 2014 (31 December 2013: nil), are secured by the finance lease receivables of approximately RMB15,257 million as at 31 December 2014 which is approximated to fair value.

Bank loans of approximately RMB1,029 million as at 31 December 2014 (31 December 2013: nil), are secured by the listed shares acquired by the Group for the issuance of structured products of approximately RMB1,527 million as at 31 December 2014.

Bank loans of approximately RMB2,252 million (31 December 2013: nil), are secured by the shares of UT Capital.

Bank loans of approximately RMB947 million (31 December 2013: nil) are secured by the investment fund of approximately RMB1,138 million as at 31 December 2014 which is the dealing price of that fund derived from the net asset values of that fund with reference to observable quoted price of underlying investment portfolio in active markets.

- (ii) Short-term bank loans are repayable within 1 year. As at 31 December 2014, included in the current portion of unsecured bank loans of approximately RMB1,006 million are not repayable within one year from the end of the reporting period but contain a repayment on demand clause.
- (iii) All the Group's bank borrowings bear interest at 1.53% to 6.16% per annum (31 December 2013: 0.63% to 2.21% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. SHORT-TERM FINANCING BILLS PAYABLES

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
Analysed as:		
Stock Exchange (Note i)	7,500,000	–
Inter-bank	–	3,000,000
Other (Note ii)	15,426,586	–
	22,926,586	3,000,000

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
Analysed as:		
Stock Exchange (Note i)	7,500,000	–
Inter-bank	–	3,000,000
Other (Note ii)	16,126,586	–
	23,626,586	3,000,000

Notes:

- (i) As at 31 December 2014, debt securities are issued in stock exchange by the Company bearing interest within 4.65% to 5.85% per annum, repayable within 1 year.
- (ii) According to Securities Association of China (“SAC”)’s letter on approving the pilot of OTC income certificate business (SAC [2014] 285), the Company was authorized to conduct income certificate business. The yields of all the outstanding income certificates were between 4.90% to 8.50%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

44. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

THE GROUP AND THE COMPANY

	2014/12/31	2013/12/31
	RMB'000	RMB'000
Placement from banks	8,500,000	–
Placement from China Securities Finance Corporation Ltd.	5,770,000	1,120,000
	14,270,000	1,120,000

Placements from banks are unsecured and bear interest at 4.8% to 5.1% per annum, with maturities within 1 month.

Placements from China Securities Finance Corporation Ltd. are unsecured and bear interest at 5.8% per annum (2013: at 7%), with maturities within 3 months (2013: 3 months).

45. 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 2014 and 31 December 2013, included in the Group and the Company's accounts payable to brokerage clients were approximately RMB6,049,313,000 and RMB1,350,325,000 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

46. OTHER PAYABLES AND ACCRUALS

THE GROUP

	2014/12/31 <i>RMB'000</i>	2013/12/31 <i>RMB'000</i>
Accrued staff cost (<i>Note i</i>)	1,726,026	853,296
Business tax and other tax payable	435,531	248,003
Dividends payable	7,536	7,536
Risk reserve	175,264	112,711
Client settlement payables	2,163,513	497,996
Pending payable to clearing house	468,061	371,557
Commission and fee payables	20,321	19,248
Payables due to fund redemption	186,140	74,027
Finance lease guarantee deposits	379,171	–
Payable for leasing equipment	103,356	–
Interest payables	883,334	228,387
Amounts due to brokers	766,823	248,619
Others	685,458	634,117
	8,000,534	3,295,497
Analysed for reporting purpose as:		
Current liabilities	7,697,576	3,295,497
Non-current liabilities (<i>Note i</i>)	302,958	–
	8,000,534	3,295,497

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

46. OTHER PAYABLES AND ACCRUALS (continued)

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
Accrued staff cost (Note i)	1,301,861	586,726
Business tax and other tax payable	387,103	233,781
Dividends payable	7,536	7,536
Client Settlement payables	1,425,228	246,561
Interest payable	672,351	147,764
Commission and fee payables	20	–
Others (Note ii)	252,932	378,061
	4,047,031	1,600,429
Analysed for reporting purpose as:		
Current liabilities	3,871,571	1,600,429
Non-current liabilities (Note i)	175,460	–
	4,047,031	1,600,429

Notes:

- (i) During the year 2014, the Group set up a detail plan for the payment of employees' bonus accrued based on the performance of current year. Amounting to RMB210,130,000 of the Group and RMB175,460,000 of the Company are planned to be settled after 31 December 2015 and classified as non-current liabilities.
- (ii) Others represent of the Company primarily accrued operating expenses which are non-interest bearing and are repayable within one year.

47. PROVISIONS

THE GROUP AND THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
At beginning of the year	2,740	3,143
Addition during the year	–	2,914
Reversal during the year	(247)	(3,317)
Provision	2,493	2,740

As at 31 December 2014 and 31 December 2013, the Group has several outstanding litigations with potential claims with maximum exposure of approximately RMB4,631,000 and RMB4,878,000 respectively, of which RMB2,493,000 and RMB2,740,000, 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 2014

48. DERIVATIVE INSTRUMENTS

THE GROUP

	2014/12/31		2013/12/31	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Stock index futures contracts (Notes i, ii)	-	-	-	-
Treasury futures contracts (Note iii)	-	-	-	-
Commodity Futures (Note iv)	-	-	-	-
Interest rate swap contracts (Note v)	31,190	22,530	16,553	51,801
Equity linked note (Note vi)	24,757	-	31,094	-
Forward contracts	154,253	163,860	-	-
Options (Note vii)	211	55,960	-	-
Embedded equity instruments (Note vii)	-	4,636	-	-
Debts linked note (Note vi)	431,800	-	-	-
Total	642,211	246,986	47,647	51,801

THE COMPANY

	2014/12/31		2013/12/31	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Stock index futures contracts (Notes i ii)	-	-	-	-
Treasury futures contracts (Note iii)	-	-	-	-
Interest rate swap contracts (Note v)	-	12,275	-	46,421
Forward contracts	-	1,534	-	-
Equity swap	44,514	-	-	-
Options (Note vii)	-	55,960	-	-
Embedded equity instruments (Note vii)	-	4,636	-	-
Total	44,514	74,405	-	46,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

48. DERIVATIVE INSTRUMENTS (continued)

Notes:

(i) Hedge

The stock index futures contracts outstanding as at 31 December 2014 and 31 December 2013 are used to hedge the exposure to the changes in fair values of the securities lent or to be lent to clients. 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 hedging 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 hedging instrument as 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:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Fair value (loss) gain of the hedging instruments	(567,246)	331,578
Fair value gain (loss) of the hedged item	603,387	(278,062)
Total	36,141	53,516

(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 2014 and 31 December 2013. Accordingly, the net position of the SIF contracts in derivative instruments was nil at the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

48. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

(ii) CSI 300 stock index futures (continued)

Contract	2014/12/31	
	Contract value RMB'000	Fair value RMB'000
IF1501	6,976,314	(375,716)
IF1502 (Note)	45,647	3,794
IF1503	590,111	(26,656)
Total	7,612,072	(398,578)
Less: settlement		398,578
Net position of SIF contracts		-

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		-

Note: This contract was in long position, and all the others were in short position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

48. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

(iii) Treasury futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures ("TF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2014. Accordingly, the net position of the TF contracts in derivative instruments was nil at the end of reporting period. The Group did not held any balance as at 31 December 2013.

Contract	2014/12/31	
	Contract value RMB'000	Fair value RMB'000
TF1503	1,112,165	2,909
TF1506	53,504	(170)
Total	1,165,669	2,739
Less: settlement		(2,739)
Net position of TF contracts		—

(iv) 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 2013. The Group did not held any balance as at 31 December 2014.

As at 31 December 2013, the contract value of the Group's commodity futures is about RMB2,577,000 with fair value loss in profit or loss of about RMB18,000.

(v) Interest rate swap contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap ("IRS") were settled daily in mainland China market and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2014. Accordingly, the net position of the IRS contracts in derivative instruments was nil at the end of reporting period. As at 31 December 2014, under the daily mark-to-market and settlement arrangement, the contract values of the Group's and the Company's IRS contracts are about RMB2,080,000,000. The Group and the Company did not held any of such balance as at 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

48. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

(v) Interest rate swap contracts (continued)

For IRS contracts in mainland China and Hong Kong market not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period. As at 31 December 2014, for IRS contracts not under the daily mark-to-market and settlement arrangement, the contract values of those IRS contracts of the Group are about RMB7,869,635,000. (2013: RMB3,922,300,000). The contract values of those IRS contracts of the Company are about RMB5,860,000 (2013: RMB2,880,000).

The Group

	Contract value RMB'000	2014/12/31	
		Assets RMB'000	Liabilities RMB'000
IRS – settle in Shanghai Clearing House	2,080,000	–	(3,672)
IRS – non-centralised settlement	7,869,635	31,190	(22,530)
Total	9,949,635	31,190	(26,202)
Less: settlement		–	3,672
Net position of IRS contracts		31,190	(22,530)

The Company

	Contract value RMB'000	2014/12/31	
		Assets RMB'000	Liabilities RMB'000
IRS – settle in Shanghai Clearing House	2,080,000	–	(3,672)
IRS – non-centralised settlement	5,860,000	–	(12,275)
Total	7,940,000	–	(15,947)
Less: settlement		–	3,672
Net position of IRS contracts		–	(12,275)

(vi) Equity linked notes and debt linked notes

The notional principal amounts of the Group's equity linked notes as at 31 December 2014 are approximately RMB611,900,000 (2013: RMB609,690,000).

The notional principal amounts of the Group's debt linked notes are approximately RMB397,644,000. The Group did not held any balance as at 31 December 2013.

(vii) Options and embedded equity instruments

As at 31 December 2014, the notional principal amounts of the Group's and the Company's OTC options in mainland China are approximately RMB15,081,533,000 with fair value loss of RMB55,960,000. The notional principal amounts of the Group's listed options in Hong Kong are approximately RMB261,000 with fair value gain of RMB211,000. The Company did not held listed options. The notional principal amounts of the Group's and the Company's embedded equity instruments are approximately RMB331,576,000. The Group and the Company did not held any of these balance as at 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

49. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
Financial liabilities held for trading (Note i)	11,604,704	6,454,711
Designated as financial liabilities at fair value through profit or loss (FVTPL) – Structured products (Note iii)	2,581,147	–
Designated as financial liabilities at FVTPL – Gold lending (Note ii)	1,603,773	–
Derivative instruments	246,986	51,801
	16,036,610	6,506,512
Analysed for reporting purpose as:		
Current	15,028,545	6,506,512
Non-current (Note iii)	1,008,065	–
	16,036,610	6,506,512

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
Financial liabilities designated as at FVTPL – Gold lending (Note ii)	1,603,773	–
Derivative instruments	74,405	46,421
	1,678,178	46,421

Notes:

- (i) Financial liabilities held for trading mainly consist of the liabilities arising from consolidation of structured entities.
- (ii) As at 31 December 2014, included in the Group and Company's financial liabilities designated at fair value through profit or loss are gold lending contracts entered by the Company with counterparties.

The risk of economic exposure on these contracts is primarily hedged using forward contracts.
- (iii) As at 31 December 2014, included in the Group's financial liabilities designated at fair value through profit or loss are the issued structured notes by subsidiaries of the Group which arise from selling structured products generally in the form of notes or certificates with the underlying investments related to listed equity investments in active markets and unlisted equity or partnership investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

49. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(iii) (continued)

The risk of economic exposure on these structured products is primarily hedged using financial instruments classified as financial assets designated as fair value through profit or loss or investments accounted for using equity method. These structured products are designated as fair value through profit or loss as the risks to which the Group is a contractual party are managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

As at 31 December 2014, amount of RMB1,008,065,000 structured product's maturity is over one year which is classified as non-current liabilities. Among which RMB489 million is the cash paid by an external third party ("Initial Exchange Amount") to the Group for the total return swap transaction with a gross national amount of HKD2,100 million (equivalent to RMB1,657 million) for the Group's interests approximately 38.9% in New Bridge as a limited partner (note 24). The total return swap transaction will be due and expired on 4 December 2017.

Details of the derivative instruments are in notes 48.

50. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
Analysed as collateral type:		
Bonds	20,003,884	21,564,645
Loans and advances to customers and finance lease receivables	54,713,980	4,882,598
	74,717,864	26,447,243
Analysed by market:		
Stock Exchange	12,994,806	15,280,836
Inter-bank market	7,009,078	5,948,480
OTC	54,713,980	5,217,927
	74,717,864	26,447,243
Analysed for reporting purpose as:		
Current	59,807,864	26,111,914
Non-current	14,910,000	335,329
	74,717,864	26,447,243

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50. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

THE COMPANY

	2014/12/31	2013/12/31
	RMB'000	<i>RMB'000</i>
Analysed as collateral type:		
Bonds	17,373,262	20,178,375
Loans and advances to customers	53,877,780	4,256,343
	71,251,042	24,434,718
Analysed by market:		
Stock Exchange	11,302,700	14,234,497
Inter-bank market	6,070,562	5,943,878
OTC	53,877,780	4,256,343
	71,251,042	24,434,718
Analysed for reporting purpose as:		
Current	56,461,042	24,434,718
Non-current	14,790,000	–
	71,251,042	24,434,718

As of 31 December 2014, the above current portion of financial assets sold under repurchase agreements include those bond repurchase agreements entered into with qualified investors, which amounted to RMB3,352,106,000 (31 December 2013: RMB1,001,497,000) for the Group and RMB1,660,000,000 (31 December 2013: RMB1,001,497,000) for the Company, with maturities within 3 months.

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 2014 and 2013, 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.

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For the year ended 31 December 2014

50. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

The following tables provides a summary of carrying amounts and fair values related to transferred financial assets of the group that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2014

	Financial assets at	Available-for-sale investments	Loan and receivable investments	Loans and advances to customers	Financial	Held-to-maturity investment	Finance lease receivables	Others	Total
	fair value through profit or loss				assets held under resale agreements				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of transferred assets	1,252,142	17,463,786	773,741	39,191,870	18,117,289	1,236,941	715,770	2,786,512	81,538,051
Carrying amount of associated liabilities	1,080,524	15,070,209	670,000	36,845,261	17,032,519	938,516	676,240	2,404,595	74,717,864
Net position	171,618	2,393,577	103,741	2,346,609	1,084,770	298,425	39,530	381,917	6,820,187

As at 31 December 2013

	Financial assets at	Available-for-sale investments	Financial	Loans and advances to customers	Held-to-maturity investment	Total
	fair value through profit or loss		assets held under repurchase agreements			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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

51. SHARE CAPITAL

	Listed A shares		Listed H shares		Total	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
	'000	RMB'000	'000	RMB'000	'000	RMB'000
Registered, issued and fully paid at RMB1.0 per share:						
At 1 January 2013,						
31 December 2013 and						
31 December 2014	8,092,131	8,092,131	1,492,590	1,492,590	9,584,721	9,584,721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

52. CAPITAL RESERVE

The movements of the capital reserve of the Company are set out below:

	2014 RMB'000	2013 <i>RMB'000</i>
At beginning and 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.

53. INVESTMENT REVALUATION RESERVE

The movements of the investment revaluation reserve of the Company are set out below:

	2014 RMB'000	2013 <i>RMB'000</i>
At beginning of the year	55,424	35,470
Available-for-sale investments		
Net fair value changes during the year	509,618	301,064
Reclassification adjustments to profit or loss on disposal/impairment	(277,251)	(274,459)
Income tax relating to components of other comprehensive income	(58,092)	(6,651)
At end of the year	229,699	55,424

54. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

54. GENERAL RESERVES (continued)

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 2014 and 31 December 2013, the Company transferred approximately RMB567,817,000 and RMB346,616,000 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 Company's statutory reserve, general risk reserve and transaction risk reserve amounted to approximately RMB3,161,111,000 and RMB2,593,294,000 as at 31 December 2014 and 31 December 2013, respectively.

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to general reserves. The total amount of general reserves appropriated from the subsidiaries as at 31 December 2014 is RMB309,411,000 (31 December 2013: RMB229,335,000).

55. RETAINED PROFITS

The movements of retained profits of the Company are set out below:

	2014 RMB'000	2013 RMB'000
At beginning of the year	10,204,761	8,956,105
Profit for the year	5,573,063	3,438,670
Appropriation to general reserves	(1,703,452)	(1,039,848)
Dividends recognised as distribution (Note 61)	(1,150,166)	(1,150,166)
At end of the year	12,924,206	10,204,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

56. 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

	2014/12/31	2013/12/31
	RMB'000	RMB'000
Deferred tax assets	566,817	430,935
Deferred tax liabilities	(758,197)	(85,586)
	(191,380)	345,349

THE COMPANY

	2014/12/31	2013/12/31
	RMB'000	RMB'000
Deferred tax assets	400,299	324,914
Deferred tax liabilities	(702,435)	(38,645)
	(302,136)	286,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

56. DEFERRED TAXATION (continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon:

THE GROUP

	Financial assets at fair value through profit or loss RMB'000	Accelerated depreciation RMB'000	Derivative assets RMB'000	Accrued but not paid expenses RMB'000	Available-for-sale investments RMB'000	Derivative liabilities RMB'000	Provision of Loans and receivables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	(48,706)	(15,427)	(3,677)	61,716	129,085	94,793	-	1,859	219,643
(Charge) credit 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
Arising from the acquisition of a subsidiary	-	-	(1,859)	8,932	-	379	69,293	-	76,745
Credit (charge) to profit or loss	(712,328)	2,107	18,544	193,478	(232,699)	95,390	72,170	(131)	(563,469)
Credit to other									
Comprehensive income	-	-	-	-	(49,979)	-	-	-	(49,979)
Effects of exchange rate	-	(39)	-	-	-	-	-	13	(26)
At 31 December 2014	(523,526)	(9,689)	(685)	258,830	(160,548)	107,374	141,463	4,401	(191,380)

THE COMPANY

	Financial assets at fair value through profit or loss RMB'000	Derivative assets RMB'000	Accrued but not paid expenses RMB'000	Available-for-sale investments RMB'000	Derivative liabilities RMB'000	Provision of Loans and receivables RMB'000	Total RMB'000
At 1 January 2013	(44,405)	(3,677)	17,166	143,774	91,611	-	204,469
(Charge) credit 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
Credit (charge) to profit or loss	(702,523)	5,330	176,478	(148,809)	95,576	43,635	(530,313)
Credit to other Comprehensive income	-	-	-	(58,092)	-	-	(58,092)
At 31 December 2014	(532,525)	(11,813)	197,032	(105,646)	107,181	43,635	(302,136)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

57. BOND PAYABLE

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
Convertible bonds (Note i)	1,405,329	759,713
Non-convertible bonds (Notes ii, iii)	34,359,083	17,179,915
Others (Note iv)	11,255	–
	35,775,667	17,939,628

THE COMPANY

	2014/12/31 RMB'000	2013/12/31 RMB'000
Non-convertible Bonds (Note iii)	22,965,708	11,956,416
Others (Note iv)	11,255	–
	22,976,963	11,956,416

Notes:

- (i) On 18 July 2013, the Group's subsidiary, HISGL issued listed convertible bonds in principal amount of HKD776 million (equivalent to RMB612 million) at par and further issued listed convertible bonds in principal amount of HKD232 million (equivalent to RMB183 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 on 18 July 2018, 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. As at 31 December 2014, the conversion price is adjusted to HKD3.61 per share after HISGL's rights issue announced on 23 April 2014 as set out and determination of the right to the entitlement of the interim dividend on 2 September 2014. The values of the liability component and the equity conversion component were determined at the issuance of the bonds.

During the year ended 31 December 2014, convertible bonds issued by HISGL in the prior year with the principal amount of HKD325 million (equivalent to RMB256,383,000) were converted into ordinary shares of HISGL. There was no such conversion in the prior year.

On 4 November 2014, HISGL issued convertible bonds in principal amount of HKD1,164 million (equivalent to RMB918,245,000) at discount of 98.5%. The redemption value of these convertible bonds at maturity on 4 November 2019 is 105.11% of their principal amount, and these convertible bonds bear interest at a fixed rate of 1.25% per annum. At any time between 14 December 2014 up to the close of business on the fifteen day prior to the maturity date, these convertible bonds can be converted into ordinary shares of HISGL at an initial conversion price of HKD6 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 the issuance of the bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

57. BOND PAYABLE (continued)

Notes: (continued)

- (ii) On 11 September 2014, the Group's subsidiary Haitong International Finance 2014 Limited issued guaranteed bonds in principal amount of USD600 million (equivalent to RMB3,671 million) at a discount of 98.809% which is listed on the Hong Kong Exchanges and Clearing Limited and guaranteed by HTIH. The bond carries a fixed annual interest rate of 3.99% with a maturity period of 5 years. The principal will be full repayable on the maturity date at 11 September 2019.

The Company entered into a keepwell deed for the above bonds. The Company will undertake to cause Haitong International Finance 2014 Limited to remain solvent at all times and to have sufficient liquidity to ensure timely payment by Haitong International Finance 2014 Limited of any amounts payable in respect of the bonds in accordance with the terms and conditions of the bonds any payments due under the keepwell deed.

On 29 October, 2013, the Group's wholly owned subsidiary HTIH issued corporate bonds with credit enhancement of standby letter of credit issued by Bank of China Singapore Branch in principal amount of USD900 million (RMB5,507,100,000) 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, the Company will undertake to cause HTIH to remain solvent at all times and to have sufficient liquidity to ensure timely payment by HTIH of any amounts payable in respect of the bonds in accordance with the terms and conditions of the bonds any payments due. The Company provides 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 RMB8.5 billion equivalents of USD.

On 30 May 2014 and 18 September 2014, the Group's wholly owned subsidiary Unican Limited issued guaranteed medium term note in principal amount of RMB500 million and RMB1,600 million at par respectively, which are listed on the Hong Kong Exchanges and Clearing Limited and guaranteed by the Group's subsidiary UT Capital. These notes carry fixed annual interest rate of 5.80% and 5.60% respectively with a maturity period of 3 years, and the interest will be paid semi-annually.

The Company entered into a keepwell deed for the above bonds. The Company will undertake to cause Unican to remain solvent at all times and to have sufficient liquidity to ensure timely payment by Unican of any amounts payable in respect of the notes in accordance with the terms and conditions of the notes any payments due under the Keepwell Deed.

On 18 November 2014, the Group's wholly owned subsidiary Haitong Unitrust Finance Leasing Corporation issued medium term note in principal amount of RMB400 million at par which carries a fixed annual interest rate of 5.39% with a maturity period if 3 years, and the interest will be paid annually.

The principal of these notes will be fully repayable on the maturity date.

- (iii) On 25 November 2013, the Company issued non-convertible bonds in principal amount of RMB12 billion at par. Those bonds carry fixed interest rate with maturity terms 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.

On 14 July 2014, the Company issued non-convertible bonds in principal amount of RMB11 billion at par, those bonds carry fixed interest rate with maturity terms of three years, five years and ten years, respectively. The principal amounts are RMB5.65 billion, RMB4.55 billion and RMB0.8 billion and bear interest rate at 5.25% per annum, 5.45% per annum and 5.85% per annum, respectively.

- (iv) According to SAC's letter on approving the pilot of OTC income certificate business (SAC [2014]285), the Company was authorized to conduct income certificate business. The amount represents a product issued by the Company with maturities of more than one year. The corresponding yield of the outstanding income certificate were 6.2%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

58. LONG-TERM PAYABLES

THE GROUP

	2014/12/31 RMB'000	2013/12/31 RMB'000
Deposits from lessees	1,913,474	–
Others	27,645	–
	1,941,119	–

Long-term payables are mainly due to the guaranteed fund received by the Group through finance leasing business. All amounts will expire beyond one year upon contract agreement and are classified as non-current liabilities.

59. 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 2014 and 2013, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	228,984	204,649
In the second to fifth year, inclusive	326,153	358,751
Over five years	47,987	55,641
	603,124	619,041

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 2014 and 2013, the Company had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	128,573	121,393
In the second to fifth year, inclusive	247,437	272,461
Over five years	23,396	55,641
	399,406	449,495

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For the year ended 31 December 2014

59. OPERATING LEASE ARRANGEMENTS (continued)

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:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Within one year	12,358	13,518
In the second to fifth year, inclusive	29,833	13,511
Over five years	9,413	315
	51,604	27,344

60. CAPITAL COMMITMENT

THE GROUP AND THE COMPANY

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Capital expenditure in respect of acquisition of property and equipment: – Contracted but not provided for	40,239	26,737

61. DIVIDENDS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Dividends recognised as distribution	1,150,166	1,150,166

Pursuant to the resolution of annual general meeting 2013 and 2012, the Company declared 2013 and 2012 final dividend of RMB0.12 and RMB0.12 per share respectively, satisfied by cash. For the proposed dividend of 2014, please refer to Note 72.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

62. 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 2014 and 2013 are set out below:

For the year ended 31 December 2014

Name	Director fee RMB'000	Salary and commission, bonuses* RMB'000	Employer's contribution to pension schemes/ annuity plans RMB'000	Total [^] RMB'000
<i>Executive Directors and Senior Management:</i>				
Wang Kaiguo ^{&}	–	2,378	184	2,562
Li Mingshan ^{&}	–	828	61	889
Qu Qiuping ^{&}	–	1,581	108	1,689
Ji Yuguang	–	1,830	184	2,014
Ren Peng	–	1,833	184	2,017
Wu Bin	–	963	91	1,054
Li Xunlei	–	1,845	184	2,029
Gong Liqihui	–	1,931	184	2,115
Pei Changjiang [#]	–	1,825	184	2,009
Wang Jianye	–	1,675	184	1,859
Li Chuqian	–	1,675	184	1,859
Jin Xiaobin	–	1,675	184	1,859
Chen Chunqian	–	1,463	184	1,647
Zhang Xiangyang ^o	–	2,394	54	2,448
Li Jianguo	237	3,635	93	3,965
Lin Yong ^o	–	2,839	93	2,932
<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 [#]	120	–	–	120
Yang Qingzhong	–	1,833	184	2,017
Qiu Xiaping	–	1,094	184	1,278
Du Hongbo	–	1,088	184	1,272
Wang Meijuan ^s	–	1,090	184	1,274
Hu Hairong ^s	–	1,082	184	1,266
	1,077	36,557	3,260	40,894

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For the year ended 31 December 2014

62. DIRECTORS', SENIOR MANAGEMENT'S AND SUPERVISORS' EMOLUMENTS (continued)

For the year ended 31 December 2013

Name	Director fee RMB'000	Salary and commission, bonuses* RMB'000	Employer's contribution to pension schemes/ annuity plans RMB'000	Total [^] RMB'000
<i>Executive Directors and Senior Management:</i>				
Wang Kaiguo ^{&}	–	2,315	150	2,465
Li Mingshan ^{&}	–	2,315	150	2,465
Shen Degao ⁺	–	296	9	305
Ji Yuguang	–	1,636	150	1,786
Ren Peng	–	1,634	150	1,784
Wu Bin	–	1,529	150	1,679
Li Xunlei	–	1,510	150	1,660
Gong Liqihui	–	1,480	150	1,630
Pei Changjiang [#]	–	693	22	715
Wang Jianye	–	1,535	150	1,685
Li Chuqian	–	1,535	150	1,685
Jin Xiaobin	–	1,534	150	1,684
Chen Chunqian	–	910	150	1,060
Li Jianguo	234	3,138	12	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 ⁺	–	398	17	415
Yang Qingzhong	–	1,633	150	1,783
Qiu Xiaping	–	781	150	931
Du Hongbo	–	777	150	927
	1,024	25,649	2,160	28,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

62. 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 64.
- & Mr. Wang Kaiguo, Mr. Li Mingshan and Mr. Qu Qiuping whose emoluments disclosed above include those for service rendered by them as Chief Executives.
- Mr. Li Mingshan resigned from the positions of General Manager and Director of the Company in March 2014. Mr. Qu Qiuping was appointed as the General Manager and Director of the Company in June 2014.
- # 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.
- \$ Mrs. Wang Meijuan and Mrs. Hu Hairong were appointed as Supervisors of the Company in December 2014.
- Ω Mr. Zhang Xiangyang and Mr. Lin Yong were appointed as Assistant General Manager in December 2014.

For the year ended 31 December 2014 and 2013, 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.

63. 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 five highest paid employees during the year ended 2014 and 2013 are as follows:

	2014	2013
	RMB'000	RMB'000
Salary and commission	9,274	5,171
Bonuses	33,822	38,829
Employer's contribution to pension schemes/annuity plans	411	528
	43,507	44,528

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 2014 and 2013.

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For the year ended 31 December 2014

63. HIGHEST PAID INDIVIDUALS (continued)

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	2014	2013
Emolument bands		
– HKD9,000,001 to HKD9,500,000	1	–
– HKD9,500,001 to HKD10,000,000	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	1
– HKD13,500,001 to HKD14,000,000	1	2
	5	5

64. SHARE OPTION / AWARD OF SUBSIDIARIES

Share option scheme of HISGL

One of the Group's subsidiaries, HISGL, a Hong Kong listed company, operates a share option scheme mainly for its directors and employees.

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,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

64. SHARE OPTION / AWARD OF SUBSIDIARIES (continued)

Share option scheme of HISGL (continued)

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.

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

For the year ended 31 December 2014

64. SHARE OPTION / AWARD OF SUBSIDIARIES (continued)

Share option scheme of HISGL (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:

	2014		2013	
	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	4.58	29,988	5.25	32,140
Adjusted during the year	4.53	167	4.59	3,951
Exercised during the year	4.33	(602)	–	–
Forfeited during the year	4.77	(2,460)	5.14	(6,103)
At end of the year	4.54	27,093	4.58	29,988

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 2014			
	9,999	5.098	1 June 2008 to 31 May 2016
	17,094	4.208	3 March 2011 to 2 March 2019
	27,093		
31 December 2013			
	11,561	5.129	1 June 2008 to 31 May 2016
	18,427	4.234	3 March 2011 to 2 March 2019
	29,988		

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 2014

64. SHARE OPTION / AWARD OF SUBSIDIARIES (continued)

Share option scheme of HISGL (continued)

No new share options were granted for the years ended 31 December 2014 and 31 December 2013.

No share option was exercised for the years ended 31 December 2013.

At the balance sheet date, HISGL had 27,092,802 (2013: 29,987,421) share options outstanding under the 2002 Share Option Scheme, which represented approximately 1.24% (2013: 2.15%) 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 27,092,802 (2013: 29,987,421) additional ordinary shares of HISGL and additional share capital of HKD2,709,280 (2013: HKD2,998,742) and share premium of HKD120,195,977 (2013: HKD134,315,324) (before issue expenses).

At the date of approval of these consolidated financial statements, HISGL had 26,894,802 (2013: 29,987,421) share options outstanding under the 2002 Share Option Scheme, which represents approximately 1.20% (2013: 2.15%) of HISGL's shares in issue at that date.

Share award scheme of HISGL

On 19 December 2014, the Board of directors of HISGL (the "HISGL Board") adopted a 10-year share award scheme (the "Scheme") to incentivise selected employees and directors ("Selected Participants") for their contributions to HISGL and to attract suitable personnel for further development of HISGL.

Pursuant to the Scheme, the ordinary shares of HKD0.1 each in the capital of HISGL will be acquired by the trustee at the cost of HISGL and will be held in trust for the Selected Participants before vesting. The total number of Shares granted under the Scheme shall be limited to 10% of the total issued share capital of HISGL as at 19 December 2014 (the "Adoption Date") or such other percentage as determined by the HISGL Board from time to time.

No award of the Shares shall be granted to any single Selected Participant which would result in the maximum number of awarded Shares under the Scheme in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued share capital of HISGL as at the Adoption Date.

The HISGL Board has delegated the power and authority to the Administration Committee of HISGL to handle operational matters of the Scheme but all major decisions in relation to the Scheme shall be made by the HISGL Board unless expressly provided for in the scheme rules pursuant to the Scheme or the HISGL Board resolves to delegate such power to the Administration Committee.

Pursuant to the scheme rules, the HISGL Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each Participant determined by the HISGL Board and recommended by the Remuneration Committee from time to time) select any participant for participation in the Scheme as a Selected Participant and determine the number of awarded shares, upon the recommendation of the Remuneration Committee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

64. SHARE OPTION / AWARD OF SUBSIDIARIES (continued)

Share award scheme of HISGL (continued)

After the selection of the Selected Participant(s) and the determination of the number of awarded Shares by the HISGL Board, the Administration Committee shall inform the trustee accordingly. The Administration Committee shall also inform the Selected Participant(s) by award notice. Provided that the respective Selected Participant(s) has (have) executed the relevant acceptance form(s) and returned the same together with a counterpart of the award notice(s) to the trustee through HISGL within the period prescribed in the award notice(s), HISGL shall during the award period pay or cause to be paid to the trustee for purchasing the awarded Shares ("Reference Amount").

After receiving the Reference Amount, the Trustee shall apply the same towards the purchase of awarded Shares in the market through a broker at the prevailing market price on the Stock Exchange pursuant to the Scheme Rules and HISGL would recognise as treasury shares in the statement of changes in equity.

The Administration Committee shall conduct a review of the performance conditions (if any) in relation to each Selected Participant at least once in each financial year during the award period if the award period is more than 12 months or once only during the award period if the award period is less than 12 months. The awarded Shares will be vested if the Selected Participant is able to meet the relevant performance conditions during the relevant period, or lapse if the Selected Participant is unable to meet the relevant performance conditions during the relevant period.

A Selected Participant shall not exercise or direct the trustee to exercise and the trustee shall not exercise the voting rights in respect of any Awarded Shares held under the trust.

During the year, no share award has been granted by HISGL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

64. SHARE OPTION / AWARD OF SUBSIDIARIES (continued)

Share option scheme of UT Capital

The Group's wholly owned subsidiary, UT Capital adopted a share option incentive scheme on 27 May 2014, which was valid and effective for a period of five years commencing from the date of adoption. According to the scheme, the eligible participants include directors, senior management, key operational managerial personnel and key technical or business personnel of UT Capital, and its subsidiaries as determined by the board of directors of UT Capital, the total number of which shall not exceed 50. No more than 97,321,500 share options shall be granted to the participants under the scheme. As at 31 December 2014, no share option were granted under the scheme.

65. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out in notes 34 and 62 above, the Group had the following material transactions with the associate for the year ended 31 December 2013 and 2014:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Administration fee income		
– Fullgoal Fund Management Co. Ltd.	841	899
Interest expense		
– Fullgoal Fund Management Co. Ltd.	(42)	(15)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

65. 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., BNP Paribas Investment Partners Hong Kong Ltd., BNP Paribas Investment Partners Switzerland Ltd, BNP Paribas.

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Consultancy and financial advisory fee income:		
– Shinhan BNP Paribas Asset Management Co., Ltd.	876	1,166
– BNP Paribas Investment Ltd (Asia)	44,300	49,351
– BNP Paribas	552	–
Other expenses:		
– BNP Paribas Investment Partners Japan Ltd	(184)	(273)
– BNP Paribas Wealth Management Bank	–	(53)
– BNP Paribas Investment Partners Singapore Ltd	(20)	–
– BNP Paribas Investment Ltd (Asia)	(242)	–
– BNP Paribas Investment Partners Hong Kong Ltd	(93)	–
– BNP Paribas Investment Partners Switzerland Ltd	(857)	–
	2014/12/31 <i>RMB'000</i>	2013/12/31 <i>RMB'000</i>
Accounts receivable from:		
– BNP Paribas Investment Ltd (Asia)	12,874	3,116
– Shinhan BNP Paribas Asset Management Co., Ltd.	278	275
– BNP Paribas	105	–
Accounts payable to:		
– BNP Paribas Investment Partners Singapore Ltd	–	(5)
– BNP Paribas Wealth Management Bank	(61)	(17)
– BNP Paribas Investment Partners Japan Ltd	(67)	(85)
– BNP Paribas Investment Ltd (Asia)	(113)	(1,069)
– BNP Paribas Investment Partners Switzerland Ltd	(310)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

65. 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") and Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership) ("Haitong Jilin") and Shanghai Equity Investment Fund (Limited Partnership) ("Shanghai Fund"):

	2014	2013
	RMB'000	<i>RMB'000</i>
Asset management fee income		
– Jilin	20,000	20,000
– Xi'an Aerospace	20,000	20,000
– Cultural Industries Fund	43,702	43,702
– Haitong Jilin	757	–
– Shanghai Fund	22,249	–

As of 31 December 2014 the total payables of the Group to Cultural Industries Fund is approximately RMB80,640,000 and the related expense in profit or loss is approximately RMB19,052,000.

The remuneration of the key management personnel of the Group was as follows:

	2014	2013
	RMB'000	<i>RMB'000</i>
Short-term benefits:		
– Fees, salaries, commission and bonuses	37,634	23,301
Post-employment benefits:		
– Employer's contribution to pension schemes/annuity plans	3,260	2,148
	40,894	25,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

66. 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. In 2014, financial lease became a new operating segment of the Group after the acquisition of UT Capital.

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);
- (g) The finance lease segment mainly represents the finance lease operation in mainland China through UT Capital, which is a wholly owned subsidiary of the Group (the “Finance Lease” segment).
- (h) 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

66. SEGMENT REPORTING (continued)

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 2013 and 2014.

Segment profit/loss represents the profit earned by/loss measured by each segment without allocation of 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 and joint ventures, 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.

Share of result of associates and joint ventures are allocated to segment profit/loss while the corresponding investments in associates and joint ventures are not allocated to each segment.

The segment information provided to the CODM for the operating and reportable segments for the years ended 31 December 2014 and 2013 is as follows:

Operating and Reportable segment

For the year ended 31 December 2014

	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	Finance lease RMB'000	Overseas operations RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results											
Revenue											
- External	9,723,069	1,877,689	3,718,193	1,327,370	306,232	2,048,031	1,446,860	2,477,359	22,924,803	-	22,924,803
- Inter-segment	694,121	85,288	15,817	10,777	103	1,527,773	-	85,628	2,419,507	(2,419,507)	-
Other income and gains	31,885	16,398	322,775	821	8,013	121,654	274,553	(34,036)	742,063	-	742,063
Segment revenue	10,449,075	1,979,375	4,056,785	1,338,968	314,348	3,697,458	1,721,413	2,528,951	26,086,373	(2,419,507)	23,666,866
Segment expenses	(6,244,168)	(834,915)	(1,050,903)	(716,917)	(65,302)	(3,796,040)	(1,204,277)	(1,646,309)	(15,558,831)	2,145,025	(13,413,806)
Segment result	4,204,907	1,144,460	3,005,882	622,051	249,046	(98,582)	517,136	882,642	10,527,542	(274,482)	10,253,060
Share of results of associates and joint ventures	-	164	-	-	22,095	105,107	-	39,968	167,334	-	167,334
Profit before income tax	4,204,907	1,144,624	3,005,882	622,051	271,141	6,525	517,136	922,610	10,694,876	(274,482)	10,420,394
Segment assets and liabilities											
Segment assets	193,229,661	18,910,411	40,533,045	995,734	5,187,520	168,733,890	22,899,516	45,379,132	495,868,909	(149,499,718)	346,369,191
Investments accounted for using equity method											5,686,141
Deferred tax assets											566,817
Group's total assets											352,622,149
Segment liabilities	187,926,781	14,974,176	34,058,526	374,576	360,892	111,167,072	18,073,648	44,207,687	411,143,358	(131,543,609)	279,599,749
Deferred tax liabilities											758,197
Group's total liabilities											280,357,946
Other segment information											
<i>Amounts included in the measure of segment profit or loss:</i>											
Depreciation and amortization	127,129	14,195	4,457	4,929	433	101,787	4,668	26,706	284,304	-	284,304
Impairment losses of available-for-sale investments	-	-	-	-	-	200	-	-	200	-	200
Impairment losses of loans & receivables	172,928	466	-	134	-	(21,291)	270,905	-	423,142	-	423,142
Interest income	3,569,040	300,815	116,077	496	30,623	1,378,073	1,428,656	876,191	7,699,971	-	7,699,971
Interest expenses	1,613,335	121,045	479,732	(10,778)	6,300	961,509	660,878	508,168	4,340,189	-	4,340,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

66. SEGMENT REPORTING (continued)

Operating and Reportable segment (continued)

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 amortization	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
Impairment/(reversal) of losses in respect of loans & 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

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 2013 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

67. 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 2014 and 2013 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 2014					
Assets					
Loans and advances to customers	-	64,883,359	-	-	64,883,359
Bank balances and cash (including restricted bank deposits)	71,788,511	14,086,573	213,000	-	86,088,084
Clearing settlement funds (client money)	13,537,613	-	-	-	13,537,613
Financial assets held under resale agreement	-	52,873,455	10,292,634	-	63,166,089
Placements to banks and other financial institutions	-	2,000,000	-	-	2,000,000
Debt securities classified as:					
Financial assets held for trading	-	3,158,081	17,724,521	10,478,574	31,361,176
Available-for-sale investments	-	66,463	2,847,701	998,073	3,912,237
Held-to-maturity investments	-	3,006	309,816	-	312,822
Loan and receivable investments	-	3,347,033	4,470,404	-	7,817,437
Finance lease receivables	200,877	7,198,196	12,826,396	-	20,225,469
	85,527,001	147,616,166	48,684,472	11,476,647	293,304,286
Liabilities					
Short-term borrowings	1,006,000	18,801,574	-	-	19,807,574
Financial assets sold under repurchase agreement	-	59,807,864	14,910,000	-	74,717,864
Short-term financing bills payable	-	22,926,586	-	-	22,926,586
Placements from other financial institutions	-	14,270,000	-	-	14,270,000
Accounts payable to brokerage clients (money held on behalf of clients only)	80,766,843	-	-	-	80,766,843
Bond Payables	-	-	32,602,151	3,173,516	35,775,667
Long-term borrowings	-	-	4,537,684	-	4,537,684
Long-term payables	-	-	1,941,119	-	1,941,119
	81,772,843	115,806,024	53,990,954	3,173,516	254,743,337

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

67. MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

	Repayable on demand <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	More than 1 year but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
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 2014, the Group's long-term borrowings amounting to RMB3,235,722,000 will be matured between 1 year to 2 years and the remaining portion will be matured between 2 to 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

68. FINANCIAL INSTRUMENTS

Categories of financial instruments

THE GROUP

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Financial assets		
Loans and receivables	248,971,142	106,376,503
Finance lease receivables	20,225,469	–
Available-for-sale investments	12,705,394	9,672,778
Financial assets at fair value through profit or loss	57,800,437	47,590,047
Held-to-maturity investments	312,822	634,962
	340,015,264	164,274,290
Financial liabilities		
Amortised cost	251,619,239	97,253,559
Financial liabilities at fair value through profit or loss	16,036,610	6,506,512
	267,655,849	103,760,071

THE COMPANY

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Financial assets		
Loans and receivables	–	66,875,722
Available-for-sale investments	10,108,046	8,529,652
Financial assets at fair value through profit or loss	35,738,871	37,525,338
	45,846,917	112,930,712
Financial liabilities		
Amortised cost	187,518,580	67,527,356
Financial liabilities at fair value through profit or loss	1,678,178	46,421
	189,196,758	67,573,777

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. 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, loan and receivable investments, held-to-maturity investment, finance lease receivables, derivatives financial assets, placements to banks and other financial institutions, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Price risk (continued)

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.

VaR methodologies employed to calculate the month end risk numbers include the Variance-Covariance approach.

Historical VaR (95%, one-day) by risk type

	2014 RMB'000	2013 RMB'000
Total VaR exposure	111,000	90,000

Historical VaR (95%, one-day) by risk type

	Average 2014 RMB'000	2013 RMB'000
Total VaR exposure	62,000	71,000

Historical VaR (95%, one-day) by risk type

	Minimum 2014/12/31 RMB'000	2013/12/31 RMB'000
Total VaR exposure	29,000	32,000

Historical VaR (95%, one-day) by risk type

	Maximum 2014 RMB'000	2013 RMB'000
Total VaR exposure	111,000	116,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. 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:

	2014 RMB'000	2013 RMB'000
Profit for the year		
Increase by 10%	300,488	16,632
Decrease by 10%	(300,488)	(16,632)
Investment revaluation reserve		
Increase by 10%	13,016	6,226
Decrease by 10%	(13,016)	(6,226)

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 2014

69. 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 2014 and 2013, the Group's Hong Kong subsidiaries', whose functional currency is 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 2014 were outstanding for the whole year. When reporting to the management on the currency risk, the Company will adopt a 5% increase or decrease for sensitivity analysis, while considering the reasonably possible change in RMB/HKD.

The 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 2014 and 2013 would increase/decrease by RMB274,061,000 and RMB96,462,000 respectively.

The 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 2014 and 2013 would increase/decrease by RMB4,767,000 and RMB11,680,000 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 2014

69. 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 2014 and 31 December 2013 by RMB203,347,000 and RMB286,799,000, 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 2014 and 31 December 2013 would decrease/increase by RMB21,949,000 and RMB19,890,000, 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 2014 and 31 December 2013 would decrease/increase by RMB214,084,000 and RMB306,866,000, 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 2014 and 31 December 2013 would decrease/increase by RMB21,949,000 and RMB19,890,000, 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 2014

69. 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

	2014	2013
	RMB'000	<i>RMB'000</i>
Loans and advances to customers	64,883,359	27,465,296
Accounts receivable	4,384,354	1,647,258
Other receivables and prepayments	2,453,972	1,889,348
Loan and receivable investments	7,817,437	3,915,255
Held-to-maturity investments	312,822	634,962
Finance lease receivables	20,225,469	–
Available-for-sale debt investments	1,814,512	1,579,670
Financial assets held under resale agreements	63,166,089	9,036,993
Placements to banks and other financial institutions	2,000,000	–
Financial assets at fair value through profit or loss	32,003,387	32,255,415
Deposits with exchanges	5,495,664	3,693,835
Clearing settlement funds	14,818,876	5,751,053
Bank balances and cash	85,703,269	52,586,723
Restricted bank deposits	384,473	349,231
Other assets	44,785	41,239
Maximum credit exposure	305,508,468	140,846,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

THE COMPANY

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Loans and advances to customers	56,758,373	19,517,300
Accounts receivable	387,905	12,227
Other receivables and prepayments	1,430,551	1,400,354
Amount due from a subsidiary	1,002,019	251,724
Available-for-sale debt investments	4,062,792	5,392,885
Loan and receivable investments	2,105,450	–
Financial assets held under resale agreements	56,984,474	7,657,922
Placements from banks and other financial institutions	2,000,000	–
Financial assets at fair value through profit or loss	21,557,876	24,453,808
Deposits with exchanges	810,395	1,074,449
Clearing settlement funds	13,907,806	4,365,643
Bank balances and cash	63,865,173	32,586,773
Other assets	–	9,397
	224,872,814	96,722,482

Credit exposures arise principally from investments in debt securities, loans and advances to customers, accounts receivable, placements to banks and other financial institutions, finance lease receivables, 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. The Group and the Company have implemented a policy not to invest in debt securities with ratings below A-3 (short-term) and BBB (mid and long term). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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.

As at 31 December 2014, loans and advances to customers amounting to RMB5,474 million of which the maturity dates were extended. Loans and advances to customers are secured and/or backed by guarantee. 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 2014 and 2013 are not considered to be impaired after taking into consideration the recoverability from collateral. Collateral held against such receivables are publicly traded securities.

The credit risk of the Group regarding finance lease receivables is that lessee fail to fulfil contractual obligations. The Group established standard policies and operational procedures and controls over finance lease activities, which include project due diligence and application, project review and approval, disbursement, post-lending monitoring and management of non-performing finance lease receivables etc. Through implementation of these standard policies and procedures, effective use of business information system and continuous optimising the portfolio of finance lease receivables, the Group is able to identify, monitor and manage its credit risk in its portfolio. Changes in economic environment or a particular industry may result in losses to the Group. The finance lease business activities are carried out in different regions of Mainland China with their unique economic characteristics. As a result, the management of UT Capital, a wholly-owned subsidiary of the Group, which mainly engages in finance leases business, monitors credit risk closely. UT Capital's business department, operation department, legal department, credit department and risk management department are responsible for monitoring credit risk and reporting to the Group's management periodically. The Group sets credit limit for each borrower and monitors the credit limit by regular review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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 2014 and 2013.

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.

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 2014

	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	1,006,000	10,664,026	8,839,403	4,947,732	-	25,457,161
Account Payable to brokerage clients	80,766,843	-	-	-	-	80,766,843
Placements from other financial institutions	-	14,447,248	-	-	-	14,447,248
Financial assets sold under repurchase agreement	-	25,062,310	37,596,373	15,188,916	-	77,847,599
Other payable	4,380,288	144,160	338,367	92,828	-	4,955,643
Short-term financing bills payable	-	10,100,046	13,380,246	-	-	23,480,292
Bonds Payables	-	-	1,845,189	38,036,590	4,015,180	43,896,959
Financial liabilities at fair value through profit or loss	11,777,285	1,103,554	2,157,771	1,020,222	-	16,058,832
Long-term payables	-	-	-	1,941,119	-	1,941,119
	97,930,416	61,521,344	64,157,349	61,227,407	4,015,180	288,851,696

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Undiscounted cash flows by contractual maturities (continued)

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

THE COMPANY

As at 31 December 2014

	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	-	414	1,160	28,976	-	30,550
Account Payable to brokerage clients	59,430,651	-	-	-	-	59,430,651
Amount due to a subsidiary	10,369	-	-	-	-	10,369
Placements from other financial institutions	-	14,447,248	-	-	-	14,447,248
Financial assets sold under repurchase agreement	-	23,138,007	36,151,002	15,065,978	-	74,354,987
Other payable	1,685,716	-	-	-	-	1,685,716
Short-term financing bills payable	-	10,813,491	13,380,246	-	-	24,193,737
Bonds Payables	-	-	1,324,041	23,058,637	4,015,180	28,397,858
Financial liabilities at fair value through profit or loss	74,405	1,090,531	535,464	-	-	1,700,400
	61,201,141	49,489,691	51,391,913	38,153,591	4,015,180	204,251,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Undiscounted cash flows by contractual maturities (continued)

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
Account Payable to brokerage clients	26,114,368	-	-	-	-	26,114,368
Amount due to a subsidiary	121,930	-	-	-	-	121,930
Placements from other financial institutions	-	1,139,818	-	-	-	1,139,818
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

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.

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-optional derivatives, and option pricing models for optional derivatives;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

- 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.

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 2014		As at 31 December 2013	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets				
Held-to-maturity financial assets	312,822	314,734	634,962	635,386
Financial liabilities				
Bond payables				
Non-convertible bond payables	34,359,083	34,861,266	17,179,915	17,298,873
Convertible bond				
Liability portion	1,405,329	N/A	759,713	N/A
Equity portion	35,571	N/A	25,395	N/A
Total of convertible bond	1,440,900	1,894,727	785,108	894,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments not measured at fair value (continued)

The Company

	As at 31 December 2014		As at 31 December 2013	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities				
Non-convertible bond payables	22,965,708	23,411,460	11,956,416	11,825,052

Fair value hierarchy of financial instruments not measured at fair value

The Group

As at 31 December 2014

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Held-to-maturity financial assets	314,734	–	–	314,734
Financial liabilities				
Bond payables	–	36,755,993	–	36,755,993

The Company

As at 31 December 2014

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Bond payables	–	23,411,460	–	23,411,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. 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 (continued)

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.

The main parameters used in valuation techniques for financial instruments held by the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Instruments which have been valued using unobservable inputs have been classified by the Group as level 3. Management determines the fair value of the Group'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 has established internal control procedures to control the Group's exposure to such financial instruments.

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2014 <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) Listed options	Derivative instruments	211 (Asset)	Level 1	The fair value of listed option was determined by quoted bid prices in an active market.	N/A	N/A
2) Unlisted options	Derivative instruments	55,960 (Liabilities)	Level 2	Discounted cash flows. Future cash flows are estimated based on option pricing model, in consideration of contract term, share price, interest rate, etc.	N/A	N/A
3) Equity linked notes and Debt linked notes	Derivative instruments	456,557 (Asset)	Level 2	The fair value of the equity linked notes and debt linked notes were determined with reference to the quoted price of the underlying equity and debt instruments.	N/A	N/A
4) Forward contracts	Derivative instruments	154,253 (Asset) 163,860 (Liabilities)	Level 2	Discounted cash flows. Future cash flows are estimated based on observable forward exchange rates and contracted exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. 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 2014 <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) Interest rate swap	Derivative instruments	31,190 (Asset) 22,530 (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.	N/A	N/A
6) Embedded equity instrument	Derivative instruments	4,636 (Liabilities)	Level 2	The fair value was determined with reference to the underlying listed equity investments.	N/A	N/A
7) Listed equity investments (non-restricted shares), funds investments and debt investments	Financial assets at fair value through profit or loss/	34,868,576 (Asset)	Level 1	Quoted bid prices in an active market.	N/A	N/A
	Financial liabilities held for trading	67,632 (Asset)	Level 2	The fair value of equity investments in the National Equities Exchange and Quotations was based on the recent transaction price of the investments.		
	Available-for-sale investments	230,464 (Liabilities)	Level 1	Quoted bid prices in an active market for listed equity investments.		
8) Unlisted equity investments (non-restricted shares)	Financial assets at fair value through profit or loss	2,073,142	Level 2	The fair value was based on the recent transaction price of the investments.	N/A	N/A
	Available-for-sale investments	8,086		Fair values have been determined based on the market value of related listed equities issued by the same listed companies.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. 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 2014 <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
9) Debt investments in interbank market	Financial assets at fair value through profit or loss/ Financial liabilities held for trading	13,577,468 (Asset) 26,764 (Liabilities)	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
	Available-for-sale investments	823,095				
10) Unlisted fund investments	Financial assets at fair value through profit or loss	5,959,955	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
	Available-for-sale investments	486,636				
11) Investments in structure products, trust and other products (investing in equity or debt other than unlisted private equity)	Financial assets at fair value through profit or loss	611,453	Level 2	Shares of the net value 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
	Available-for-sale investments	3,125,109				
		7,043	Level 1			
12) Restricted shares and funds	Available-for-sale investments	588,601	Level 3	Discounted cash flow. The fair value is determined with reference to the quoted market prices of the shares with an adjustment of discount for lack of marketability.	Discount for lack of marketability with reference to the prices of listed securities	The higher the discount, the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. 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 2014 <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
13) Financial liabilities arising from consolidation of structured entities	Financial liabilities held for trading	11,347,476	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
14) Structured notes issued	Financial liabilities designated as FVTPL	2,569,490	Level 2	The fair value was determined with reference to the market or recent transaction prices of underlying assets.	N/A	N/A
		11,657	Level 2	The fair value of the investment was determined with reference to dealing price of the underlying unlisted debt investment which is based on discounted cash flow that the future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.		
15) Gold lending business	Financial liabilities designated as FVTPL	1,603,773	Level 2	The fair value was determined with reference to the fair value of the underlying gold.	N/A	N/A
16) Investments in structure products	Available-for-sale investments	2,097,725	Level 3	Discounted future cash flows based on expected cash flows discounted at rate taking into account of the credit risk of the issuer.	In consideration of credit risk (loss given default)	The higher the loss given default, the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. 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 2014

69. 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 2014

69. 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 2014

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments				
– Equity securities				
Manufacturing	282,918	8,086	494,131	785,135
Financial services	424,490	–	–	424,490
Information transmission, software and information technology	7,754	–	94,470	102,224
Mining	35,505	–	–	35,505
Construction	23,411	–	–	23,411
Electricity, heat, gas and water production and supply	7,096	–	–	7,096
Transportation, storage and postal services	14,990	–	–	14,990
Wholesale and retail	13,626	–	–	13,626
Real Estate	31,619	–	–	31,619
Water conservancy, environment and public facilities management	4,367	–	–	4,367
Farming, forest, herd, fishery	3,870	–	–	3,870
Culture, sports and entertainments	45,831	–	–	45,831
Leasing and business services	3,773	–	–	3,773
Comprehensive	4,673	–	–	4,673
– Debt securities				
Corporate bonds	991,417	793,049	–	1,784,466
Other debts	–	30,046	–	30,046
– Funds	443,381	486,636	–	930,017
– Structured and trust products	7,043	3,125,109	2,097,725	5,229,877
Subtotal	2,345,764	4,442,926	2,686,326	9,475,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. 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 2014

	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	5,096,414	551,379	–	5,647,793
Financial services	4,027,370	1,527,383	–	5,554,753
Information transmission, software and information technology	344,388	53,257	–	397,645
Mining	481,904	–	–	481,904
Construction	399,995	–	–	399,995
Electricity, heat, gas and water production and supply	333,650	–	–	333,650
Transportation, storage and postal services	211,155	–	–	211,155
Wholesale and retail	248,403	–	–	248,403
Real Estate	315,652	–	–	315,652
Water conservancy, environment and public facilities management	41,096	2,400	–	43,496
Farming, forest, herd, fishery	25,287	6,355	–	31,642
Culture, sports and entertainments	206,229	–	–	206,229
Leasing and business services	43,368	–	–	43,368
Comprehensive	64,066	–	–	64,066
Scientific research and technical services	2,930	–	–	2,930
Accommodation and catering industry	23,847	–	–	23,847
Health and social work	4,546	–	–	4,546
– Debt securities				
Corporate bonds	9,894,706	10,870,687	–	20,765,393
Government bonds	6,910,987	745,612	–	7,656,599
Other bonds	978,015	1,961,169	–	2,939,184
– Funds	5,214,568	5,959,955	–	11,174,523
– Structured and trust products	–	611,453	–	611,453
– Derivative financial assets	211	642,000	–	642,211
Subtotal	34,868,787	22,931,650	–	57,800,437
Total assets	37,214,551	27,374,576	2,686,326	67,275,453
Derivative financial liabilities	–	246,986	–	246,986
Held for trading financial liabilities	230,464	11,374,240	–	11,604,704
Financial liabilities designated at FVTPL	–	4,184,920	–	4,184,920
Total liabilities	230,464	15,806,146	–	16,036,610
Net amounts of assets and liabilities	36,984,087	11,568,430	2,686,326	51,238,843

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69 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
Wholesale 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
Other bonds	–	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 2014

69. 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
Wholesale 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
– Derivative financial assets	–	47,647	–	47,647
Subtotal	32,116,628	15,473,420	–	47,590,048
Total assets	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 liabilities	113,842	6,392,670	–	6,506,512
Net amounts of assets and liabilities	35,212,065	12,645,206	274,078	48,131,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. 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

As at 31 December 2014

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments				
– Equity securities				
Manufacturing	175,288	–	325,991	501,279
Financial services	424,490	–	–	424,490
Information transmission, software and information technology	7,754	–	94,470	102,224
Mining	35,505	–	–	35,505
Construction	23,411	–	–	23,411
Electricity, heat, gas and water production and supply	7,096	–	–	7,096
Transportation, storage and postal services	14,990	–	–	14,990
Wholesales and retail	13,626	–	–	13,626
Real Estate	31,619	–	–	31,619
Water conservancy, environment and public facilities management	4,367	–	–	4,367
Farming, forest, herd, fishery	3,870	–	–	3,870
Culture, sports and entertainments	45,831	–	–	45,831
Leasing and business services	3,773	–	–	3,773
Comprehensive	4,673	–	–	4,673
– Debt securities				
Corporate bonds	991,418	793,048	–	1,784,466
Other bonds	–	2,278,326	–	2,278,326
– Funds	377,471	5,305	–	382,776
– Structured and trust products	–	2,841,890	1,508,855	4,350,745
Subtotal	2,165,182	5,918,569	1,929,316	10,013,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. 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 2014

	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	2,882,894	5,620	–	2,888,514
Financial services	3,501,714	–	–	3,501,714
Information transmission, software and information technology	315,144	53,257	–	368,401
Mining	229,133	–	–	229,133
Construction	396,231	–	–	396,231
Electricity, heat, gas and water production and supply	264,787	–	–	264,787
Transportation, storage and postal services	163,368	–	–	163,368
Wholesale and retail	235,566	–	–	235,566
Real Estate	266,506	–	–	266,506
Water conservancy, environment and public facilities management	41,030	2,400	–	43,430
Farming, forest, herd, fishery	25,241	6,355	–	31,596
Culture, sports and entertainments	205,166	–	–	205,166
Leasing and business services	43,191	–	–	43,191
Comprehensive	42,100	–	–	42,100
Scientific research and technical services	2,880	–	–	2,880
Accommodation and catering industry	1,066	–	–	1,066
Health and social work	4,546	–	–	4,546
– Debt securities				
Corporate bonds	6,533,987	5,514,275	–	12,048,262
Government bonds	6,910,987	745,613	–	7,656,600
Other bonds	–	1,808,500	–	1,808,500
– Funds	2,688,218	2,162,189	–	4,850,407
– Structured and trust products	–	686,907	–	686,907
– Derivative financial assets	–	44,514	–	44,514
Subtotal	24,753,755	11,029,630	–	35,783,385
Total assets	26,918,937	16,948,199	1,929,316	45,796,452
Financial liabilities at fair value through profit or loss	–	1,603,773	–	1,603,773
Derivative financial liabilities	–	74,405	–	74,405
Total liabilities	–	1,678,178	–	1,678,178
Net amounts of assets and liabilities	26,918,937	15,270,021	1,929,316	44,118,274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. 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

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
Other bonds	–	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 2014

69. 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
Wholesale 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
– Derivative financial assets	–	–	–	–
Subtotal	25,886,437	11,638,901	–	37,525,338
Total assets	29,012,696	16,785,168	161,947	45,959,811
Derivative financial liabilities	–	46,421	–	46,421
Net amounts of assets and liabilities	29,012,696	16,738,747	161,947	45,913,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Financial instruments measured at fair value on a recurring basis (continued)

There were no transfers between instruments in Level 1 and Level 2 during the year ended 31 December 2014.

The following table represents the changes in Level 3 available-for-sale investments for the the year ended 31 December 2014.

THE GROUP

	Restricted Equity Securities						
	Manufacturing	Information			Restricted fund	Others	Total
		transmission	Entertainment	Farming			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2014	112,131	-	75,241	76,215	10,491	-	274,078
Purchase	538,324	87,000	-	-	-	2,096,170	2,721,494
Transfer out	(52,746)	-	(75,000)	(65,100)	(10,100)	-	(202,946)
Total gains or losses - in other comprehensive income	(103,578)	7,470	(241)	(11,115)	(391)	1,555	(106,300)
As at 31 Dec 2014	494,131	94,470	-	-	-	2,097,725	2,686,326

THE COMPANY

	Restricted Equity Securities						
	Manufacturing	Information			Restricted fund	Others	Total
		transmission	Entertainment	Farming			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2014	-	-	75,241	76,215	10,491	-	161,947
Purchase	419,405	87,000	-	-	-	1,507,300	2,013,705
Transfer out	-	-	(75,000)	(65,100)	(10,100)	-	(150,200)
Total gains or losses - in other comprehensive income	(93,414)	7,470	(241)	(11,115)	(391)	1,555	(96,136)
As at 31 Dec 2014	325,991	94,470	-	-	-	1,508,855	1,929,316

The transfer out of Level 3 was due to the termination of restricted period of restricted shares and restricted funds and the financial assets have been transferred out of Level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. FINANCIAL RISK MANAGEMENT (continued)

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"), "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), and "Notice on the issue that security firms provide counter-guarantee for overseas wholly-owned subsidiaries" issued by Shanghai Securities Regulatory Bureau's 18 March 2014, 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");
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

69. FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

As at 31 December 2013 and 2014, the Company has maintained the above ratios as follows:

	2014/12/31	2013/12/31 (restated)
Net capital (RMB'000)	37,110,256	37,849,947
Ratio 1	819.66%	1241.14%
Ratio 2	57.07%	62.76%
Ratio 3	26.71%	89.12%
Ratio 4	46.80%	142.01%
Ratio 5	61.21%	38.54%
Ratio 6	78.78%	97.20%

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 2014

70. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

THE GROUP

As at 31 December 2014 in RMB'000	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
Description	Gross amounts of recognised financial assets	Gross amounts of recognised financial 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 48)	644,950	2,739	642,211	-	-	642,211
Accounts receivable from brokers, dealers and clearing house (Note 32)	4,629,451	1,434,962	3,194,489	33,745	58,445	3,102,299
Loans and advances to customers (Note 31)	64,883,359	-	64,883,359	51,373,168	13,510,191	-
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 amounts of recognised financial 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 48)	117,396	69,749	47,647	3,389	-	44,258
Accounts receivable from brokers, dealers and clearing house (Note 32)	2,551,370	1,182,547	1,368,823	-	-	1,368,823

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

70. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:
(continued)

THE COMPANY

As at 31 December 2014
in RMB'000

Description	(a)	(b)	(c)=(a)-(b)	(d)		(e)=(c)-(d)
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statements of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Related amounts not set off in the statement of financial position (d)(i) Cash collateral received (d)(ii)	Net amount
Derivative instruments (Note 48)	47,253	2,739	44,514	-	-	44,514
Loans and advances to customers (Note 31)	56,758,373	-	56,758,373	50,709,060	6,049,313	-

As at 31 December 2013
in RMB'000

Description	(a)	(b)	(c)=(a)-(b)	(d)		(e)=(c)-(d)
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statements of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments	Related amounts not set off in the statement of financial position (d)(i) Cash collateral received (d)(ii)	Net amount
Derivative instruments (Note 48)	68,571	68,571	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

70. 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 2014
in RMB'000

Description	(a)	(b)	(c)=(a)-(b)	(d)		(e)=(c)-(d)
	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	Financial instruments	(d)(i) Cash collateral pledged	(d)(ii) Net amount
Derivative instruments (Note 48)	649,236	402,250	246,986	-	-	246,986
Pending payable to clearing house (Note 46)	1,903,023	1,434,962	468,061	162,003	-	306,058
Financial liabilities held for trading (Note 49)	11,604,704	-	11,604,704	-	230,464	11,374,240

As at 31 December 2013
in RMB'000

Description	(a)	(b)	(c)=(a)+(b)	(d)		(e)=(c)-(d)
	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	Financial instruments	(d)(i) Cash collateral pledged	(d)(ii) Net amount
Derivative instruments (Note 48)	46,421	-	46,421	-	-	46,421
Pending payable to clearing house (Note 46)	1,554,104	1,182,547	371,557	-	-	371,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

70. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements: (continued)

THE COMPANY

As at 31 December 2014
in RMB'000

Description	(a)	(b)	(c)=(a)-(b)	(d)		(e)=(c)-(d)
	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 (note 48)	476,655	402,250	74,405	-	-	74,405

As at 31 December 2013
in RMB'000

Description	(a)	(b)	(c)=(a)-(b)	(d)		(e)=(c)-(d)
	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 (note 48)	46,421	-	46,421	-	-	46,421

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 2014 and 2013, the fair value of the collaterals related to the above items exceeded the book value of those financial instruments; net exposure and net amount is insignificant after setting off the collaterals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

71. ACQUISITION OF A SUBSIDIARY

In January 2014, the transaction that HTIH, a wholly-owned subsidiary of the Company, to acquire 100% shares of UT Capital Group from UT Capital Holdings, an independent third party, has been completed. UT Capital Group together with its three directly or indirectly wholly-owned subsidiaries, namely, Haitong UniTrust International Leasing Corporation, UniFortune International Leasing Corporation, and Shanghai Unicircle Investment & Development Corporation, became the subsidiaries of the Group. UT Capital Group mainly engages in finance lease business. The acquisition is intended to expand the business scope of the Group.

Consideration transferred

The consideration of the acquisition is cash, which is USD715 million and is equivalent to RMB4,483 million at the exchange rate of acquisition date. Acquisition-related costs have been excluded from the cost of acquisition and are recognized directly as expenses when they are incurred.

Assets and liabilities recognised at the date of acquisition (RMB'000)

Current assets	
Bank balances and cash	719,700
Finance lease receivables	4,899,008
Account receivables	42,010
Financial assets held under resale agreements	50,000
Financial assets at fair value through profit or loss	7,436
Other receivables and prepayments	31,578
Total current assets	5,749,732
Non-current assets	
Finance lease receivables	7,529,089
Property and equipment	7,152
Other intangible assets	4,598
Deferred tax assets	76,745
Other receivables and prepayments	2,903
Total non-current assets	7,620,487
Total assets	13,370,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

71. ACQUISITION OF A SUBSIDIARY (continued)

Assets and liabilities recognised at the date of acquisition (Determined on a provisional basis) (RMB'000) (continued)

Current liabilities	
Borrowings	4,726,775
Financial liabilities at fair value through profit or loss	1,514
Financial assets sold under repurchase agreements	401,550
Accounts payable	587,563
Tax liabilities	36,405
Other payable and accruals	159,263
Total current liabilities	5,913,070
Non-current liabilities	
Borrowings	3,598,771
Long term payables	1,343,406
Total non-current liabilities	4,942,177
Total liabilities	10,855,247
Net assets	2,514,972

The receivables acquired (which principally comprised finance lease receivables) with a fair value of RMB12,504,588,000 at the date of acquisition had gross contractual amount of RMB14,735,354,000, including unrecognized finance income RMB2,015,192,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB215,574,000.

Goodwill arising on acquisition (RMB'000)

Consideration transferred	4,483,832
Less: Net identifiable assets acquired	(2,514,972)
Goodwill arising on acquisition	1,968,860

Goodwill arose from control premium included in the consideration. The consideration also took into account the expected synergies, revenue increase, market expansion, and the assembled workforce of UT capital. These kind of interests does not satisfy the recognition standard of intangible assets, thus it will not be recognized separately from provisional goodwill.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

71. ACQUISITION OF A SUBSIDIARY (continued)

Net cash outflow arising on acquisition (RMB'000)

Consideration paid in cash	4,483,832
Less: cash and cash equivalent balances acquired	(699,794)
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Net cash outflow arising on acquisition	3,784,038

Impact of acquisition on the results of the Group

The business combination was completed at the beginning of the period. The revenue and profit of UT capital since the acquisition date included in the consolidated statement of profit or loss for the reporting period is RMB1,650,810,000 and RMB411,065,000 respectively.

72. SUBSEQUENT EVENT

(1) Business Combination

- (i) In November 2014, Haitong International (BVI) Limited ("Haitong BVI"), a wholly owned subsidiary of HISGL and Japaninvest Group plc ("Japaninvest") reached an agreement for cash acquisition of Japaninvest by Haitong BVI to acquire the entire issued and to be issued ordinary share capital of Japaninvest.

The consideration for the proposed acquisition of the entire issued and to be issued ordinary share capital of Japaninvest is at approximately of JPY2,878,200,000 or equivalent to RMB148,174,241 as at 31 December 2014. Japaninvest is a company incorporated in England and Wales and its shares are listed on the Mothers Market of the Tokyo Stock Exchange. Japaninvest provides pan-Asia equity research, analysis and sales advice for the benefit of investing clients.

On 2 March 2015, the court meeting and the general shareholders meeting of Japaninvest approved for the proposed acquisition that Japaninvest will become the Group's subsidiary on 31 March 2015. The initial accounting of the business combination, including the determination of the fair value of identifiable assets and liabilities acquired and measurement of goodwill or a gain from a bargain purchase are in the assessment process by the management of HISGL.

- (ii) In December 2014, HTIH, a wholly owned subsidiary of the Company, entered into the sale and purchase agreement to acquire the entire issued shares of BANCO ESPÍRITO SANTO DE INVESTIMENTO, S.A. ("BESI") from Novo Banco. The consideration of the proposed acquisition of the entire issued shares of BESI is at approximately of EUR 379 million or equivalent to RMB2.8 billion. BESI is a fully licensed bank which has a number of controlled core subsidiaries in several countries.

Up to the date of these consolidated financial statements, the proposed acquisition has not yet been completed and is subject to the approval from the relevant authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

72. SUBSEQUENT EVENT (continued)

(2) Profit distribution resolution

On 27 March 2015, the board of directors of the Company proposed a profit distribution resolution, Cash dividend of RMB2.5 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. According to the Proposal on Issue of New H Shares by the Company considered and passed at the First Extraordinary General Meeting of 2015, the First A Shareholders' Class Meeting of 2015 and the First H Shareholders' Class Meeting of 2015 held by the Company on 9 February 2015, the Company proposed to issue 1,916,978,820 New H Shares, and the New H Shares shall rank pari passu in all respects with the H Shares that are already in issue. If the newly issuance of H Shares complete before the record date, the total cash dividends to be distributed would be RMB2,875,425,000.00, including RMB479,244,705.00 on the New H Shares, on the basis of a total share capital of 11,501,700,000 A Shares and H Shares in issue. The retained profits of the parent company of RMB10,369,758,976.60 following the cash dividend distribution will be carried forward to the next year. The specific overall amount of cash dividends under distribution and the retained profits to be carried forward to the next year will be calculated according to the actual number of shares of the Company in issue on the record date for the cash dividend distribution.

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 2014 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 2014 and up to the date of these consolidated financial statements.

73. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.