HTSC

(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name 华泰证券股份有限公司 and carrying on business in Hong Kong as HTSC)

Stock code : 6886

Global Offering

Joint Sponsors

華泰金融控股(香港)有限公司 HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMTED

J.P.Morgan

UBS

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

華泰金融控股(香港)有限公司 HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMTED

J.P.Morgan

UBS

ICBC 工银国际

BNP PARIBAS

CMS 招商证券

Joint Bookrunners and Joint Lead Managers

CREDIT SUISSE

Morgan Stanley

Goldman Sachs

citi

Deutsche Bank

NOMURA

農銀國際 ABC INTERNATIONAL

建银国际 CCB International

廣發證券(香港)經紀有限公司 GF SECURITIES (HONG KONG) BROKERAGE LIMITED

興證香港 INDUSTRIAL SECURITIES HK

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

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(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name 华泰证券股份有限公司 and carrying on business in Hong Kong as HTSC)

Number of Offer Shares under the Global Offering	:	**1,400,000,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**70,000,000 H Shares (subject to adjustment)**
Number of International Offer Shares	:	**1,330,000,000 H Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$24.80 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
Stock code	:	**6886**

Joint Sponsors

華泰金融控股（香港）有限公司 HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED J.P.Morgan UBS

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Joint Bookrunners and Joint Lead Managers

CREDIT SUISSE Morgan Stanley Goldman Sachs citi Deutsche Bank

NOMURA 農銀國際 ABC INTERNATIONAL 建银国际 CCB International 廣發証券（香港）經紀有限公司 GF SECURITIES (HONG KONG) BROKERAGE LIMITED 興證香港 INDUSTRIAL SECURITIES HK

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

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

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, May 22, 2015 (Hong Kong time) and, in any event, not later than Monday, May 25, 2015 (Hong Kong time). The Offer Price will be not more than HK$24.80 and is currently expected to be not less than HK$20.68 per Offer Share. If, for any reason, the Offer Price is not agreed by Monday, May 25, 2015 (Hong Kong time) between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Share are required to pay, on application, the maximum Offer Price of HK$24.80 for each Hong Kong Offer Share together with brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$24.80.

The Joint Global Coordinators, on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$20.68 to HK$24.80) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at www.htsc.com.cn and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

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

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

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold only (a) in the United States to "Qualified Institutional Buyer" in reliance on Rule 144A or another exemption from, or in a transaction not subject to, registration under the U.S. Securities Act and (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

May 19, 2015

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Friday, May 22, 2015
Application lists open[3]	11:45 a.m. on Friday, May 22, 2015
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Friday, May 22, 2015
Latest time for completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, May 22, 2015
Latest time for giving electronic application instructions to HKSCC[4]	12:00 noon on Friday, May 22, 2015
Application lists close[3]	12:00 noon on Friday, May 22, 2015
Expected Price Determination Date[5]	Friday, May 22, 2015
(1) Announcement of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares, to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Friday, May 29, 2015
(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares—11. Publication of Results" in this prospectus	Friday, May 29, 2015
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.htsc.com.cn**[6] from	Friday, May 29, 2015
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function from	Friday, May 29, 2015
Dispatch of H Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7][9]	Friday, May 29, 2015
Dispatch of refund cheques and White Form e-Refund payment instructions (if applicable) in respect of wholly or partially successful applications or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[8][9]	Friday, May 29, 2015
Dealings in the H Shares on the Stock Exchange expected to commence on	Monday, June 1, 2015

Notes:

(1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated.

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

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, May 22, 2015, the application lists will not open or close on that day. See "How to Apply for the Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for the Hong Kong Offer Shares—6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or around Friday, May 22, 2015 and, in any event, not later than Monday, May 25, 2015. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and us by Monday, May 25, 2015, the Global Offering will not proceed and will lapse.
(6) None of the website or any of the information contained on this website forms part of this prospectus.
(7) H Share certificates for the Hong Kong Offer Shares will only become valid certificates of title at 8:00 a.m. on Monday, June 1, 2015 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid do so at their own risk.
(8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.
(9) Applicants who have applied on **WHITE** Application Forms or **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or H Share certificates in person from our Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. and 1:00 p.m. on Friday, May 29, 2015 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations who is eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund cheques, if any, in person but may not elect to collect their H Share certificates as such H Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for the Hong Kong Offer Shares—14. Dispatch/Collection of H Share Certificates and Refund Monies – Personal Collection—(iv) If you apply via Electronic Application Instructions to HKSCC" in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

H Share certificates and/or refund cheques (if applicable) for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for the Hong Kong Offer Shares—13. Refund of Application Monies" and "How to Apply for the Hong Kong Offer Shares—14. Dispatch/Collection of H Share Certificates and Refund Monies" in this prospectus.

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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

We are a joint stock company incorporated in the PRC with limited liability under the Chinese corporate name 华泰证券股份有限公司 and carrying on business in Hong Kong as HTSC. We registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance under our English corporate name "Huatai Securities Co., Ltd." and Chinese corporate name approved pursuant to section 782 of the Companies Ordinance as "華泰六八八六股份有限公司." We are not in any way connected with or related to 華泰證券有限公司 (Wah Thai Securities Limited).

CONTENTS

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

There are risks associated with any investment in the Offer Shares. We set out some of the particular risks in investing in the Offer Shares in "Risk Factors," beginning on page 32 of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading integrated securities group in China, with a substantial customer base, a leading e-Platform and a highly collaborative full-service business franchise. According to Wind Info, we ranked No. 4 among all securities firms in China in terms of both total assets and net assets as of December 31, 2014. According to Wind Info, we ranked No. 5 and No. 6, respectively, among all securities firms in China in terms of total revenue and net profit in 2014. We achieved market-leading positions through strategic transitions in multiple business lines:

- According to Wind Info, we ranked No. 1 in terms of brokerage trading volume of stocks and funds in the PRC securities industry in both 2014 (a 7.9% market share) and the three months ended March 31, 2015 (a 8.3% market share); and the balance of our margin loans and securities lent ranked No. 2 in the PRC securities industry as of both December 31, 2014 (a 6.4% market share) and March 31, 2015 (a 6.4% market share);
- According to Mergermarket, we ranked No. 1 in the PRC securities industry in 2013, 2014 and the three months ended March 31, 2015, in terms of the number of domestic M&A advised by us, representing a market share of 11.0%, 12.0% and 11.1%, respectively, during those periods; and
- The AUM of our collective asset management schemes ranked No. 2 (a 11.4% market share) in the PRC securities industry as of December 31, 2014.

We primarily provide the following services to individual, institutional and corporate clients:

- *Brokerage and Wealth Management*: We engage in trading of stocks, funds, bonds and futures on behalf of our clients and earn fee and commission income. We also engage in capital-based intermediary businesses (including margin financing and securities lending, securities-backed lending and stock repurchase) and earn interest income. In addition, we also sell financial products to our clients for a fee.
- *Investment Banking*: We provide investment banking services, including financial advisory, equity and debt underwriting and OTC businesses. In return, we principally earn advisory fee and underwriting and sponsorship fee.
- *Asset Management*: We provide securities-firm asset management services, including collective asset management schemes, targeted asset management schemes and specialized asset management schemes, and earn management and performance fees. We also manage private equity funds and earn investment income and management fees.

- *Investment and Trading:* We engage in the trading of equity securities, fixed-income securities, derivatives and other financial products for our own account with the objective of achieving investment income. We also develop and offer OTC financial products and trade with counterparties over the counter.
- *Overseas Business:* We principally engage in investment banking, sales and trading and asset management through Huatai Financial Holdings in Hong Kong. In return, we principally earn brokerage commission, underwriting and sponsorship fees, advisory fees, interest income and asset management fees from our overseas business.

The following table sets forth the key operating data, industry ranking and market share of our principal business lines as of or for the periods indicated:

		As of or for the year ended December 31,			As of or for the three months ended March 31,
		2012	2013	2014	2015
Trading volume of stocks and funds	Amount (RMB in billions)	3,531.2	5,861.1	12,404.0	7,141.1
	Ranking	2	2	1	1
	Market share	5.5%	6.1%	7.9%	8.3%
Average securities brokerage commission rate[(1)]		8.6bps	7.4bps	4.8bps	4.2bps
Balance of margin financing and securities lent	Amount (RMB in millions)	6,514.2	19,568.4	65,482.9	95,840.1
	Ranking	4	6	2	2
	Market share	7.3%	5.6%	6.4%	6.4%
Number of CSRC-approved M&As advised	Number	10	10	22	5
	Ranking	1	1	1	1
	Market share	12.8%	11.0%	12.0%	11.1%
Amount of equity securities underwritten	Amount (RMB in millions)	7,023.9	11,260.8	23,178.9	6,825.6
	Ranking	17	7	5	10
	Market share	2.0%	3.5%	4.7%	3.0%
Average commission rate for equity underwriting		4.63%	1.45%	1.93%	1.47%
Amount of debt securities underwritten	Amount (RMB in millions)	26,100.0	31,900.0	59,630.0	11,070.1
	Ranking	18	10	9	10
	Market share	0.6%	0.8%	1.1%	0.8%
Average commission rate for debt underwriting		0.70%	0.63%	0.44%	0.20%
AUM of securities-firm asset management business	Amount (RMB in billions)	51.6	132.7	345.5	410.2
	Ranking	7	11	4	4
	Market share	2.7%	2.6%	4.3%	4.6%

Source of the rankings and market shares: Wind Info, CSRC or SAC

(1) Average securities brokerage commission rate = commission and fee income from our securities brokerage business/trading volume of stocks and funds. Attributable to our industry-leading e-Platform and centralized and streamlined operations of our securities branch network, we have proactively lowered our brokerage commission rates since 2013 amid the trend of declining brokerage commission rates across the industry, resulting in a decrease in our average securities brokerage commission rate during the Track Record Period.

Over our 24 years of operating history, we achieved rapid growth by capitalizing on the transformation and development of the PRC securities industry. We navigated through various market and business cycles, financial crises and regulatory reforms and completed a series of successful mergers and acquisitions, such as the acquisitions of Asia Securities, United Securities, Xintai Securities and Great Wall Weiye Futures, as well as our A Share IPO.

Since 2007, we have started to undertake strategic transitions in our distribution platform as well as business and services models. In 2011, we initiated a full-service business strategy that is led by investment banking, underpinned by brokerage and wealth management and supported by asset management as well as investment and trading. We expect that such strategy requires years to be fully implemented and will improve our business mix and operating results over time. During the Track Record Period, we established an industry-leading e-Platform to provide standardized services to our customers effectively and cost-efficiently and achieved streamlined and centralized operation of our securities branch network. These efforts enabled us to proactively reduce our brokerage commission rate and expand our customer base rapidly. We have upgraded the functionality of our securities branch network to focus on providing customized value-added services to our affluent, high net-worth, institutional and corporate clients, which enabled us to optimize our customer mix. By doing so, we have achieved a strong retail client base and leading positions in our brokerage and wealth management business. We also endeavored to redirect the focus of our substantial brokerage clients from commission-based brokerage businesses to capital-based intermediary, wealth management and asset management products and services, which enabled us to optimize our revenue mix. In addition, our long-term dedication to the M&A advisory business has enabled us to build top M&A advisory capabilities in China and contributed to our premier full-service investment banking franchise. We have been able to select emerging clients in strategic industries and to offer customized investment banking solutions to our corporate clients covering their entire development stages and to focus on increasing synergies among our brokerage and wealth management, investment banking and asset management business lines. To further enhance our corporate and institutional client base and achieve a more balanced revenue and business mix, we will continue to implement our full-service business strategy which is led by investment banking to expand our corporate and institutional client base because a strategically-positioned investment banking business enables us to deliver a variety of financing and investment solutions to high-quality corporate and institutional clients and allows us to maximize synergies among our various business lines. We also consider that our asset management and investment and trading businesses will be the two main driving factors for innovation and growth, which we expect will continue to bring us new business opportunities while growing our revenue and profit.

As a result of our strategic transitions and the favorable market conditions in 2014, we achieved market leading positions, experienced rapid growth in income and profit and improved revenue mix during the Track Record Period. Our total revenue and other income increased from RMB7,011.3 million in 2012 to RMB15,978.5 million in 2014, representing a CAGR of 51.0%. Our profit for the year increased from RMB1,663.3 million in 2012 to RMB4,539.8 million in 2014, representing a CAGR of 65.2%, and our net margin increased from 23.7% in 2012 to 28.4% in 2014. Total income from our capital-based intermediary businesses (combined interest income and fee and commission income from margin financing and securities lending, interest income from securities-backed lending and stock repurchases) accounted for 32.6% of the segment revenue and other income from our brokerage and wealth management business in 2014, increasing from 12.2% in 2012. Segment revenue and other income from our asset management business accounted for 8.6% of our total revenue and other income in 2014, increasing from 1.7% in 2012.

We are in the process of transitioning our business focus from a commission-based merchant to a capital-driven and innovative financial services provider. We believe we are able to continue to capitalize on the transformation and development of the PRC securities industry to achieve sustainable and stable growth.

Our A Shares have been listed on the Shanghai Stock Exchange since February 2010. Our A Share was first admitted to the CSI 300 Index and the CSI 100 Index in July 2010, and the SSE 180 Index and the SSE 50 Index in January 2011. Our A Share was selected as a constituent stock of the SSE Corporate Governance Index and SSE 180 Corporate Governance index in July 2011 and the CSI SH-SZ-HK 400 Index in November 2014. In addition, our A Share is one of the eligible securities for

Northbound trading under the pilot program of Shanghai-Hong Kong Stock Connect traded with the stock name "華泰證券."

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

- Leading integrated securities group in China and a pioneer amid industry transformation;
- The largest securities brokerage business in the PRC with leading integrated financial services capabilities;
- Advanced industry-leading e-Platform with outstanding customer experience and operating efficiency;
- Premier full-service investment banking franchise driven by the top M&A advisory capability in the PRC;
- One of the largest comprehensive asset management businesses in the PRC securities industry with strong product innovation capabilities;
- Comprehensive and effective risk management system, supported by advanced IT infrastructure; and
- Visionary and experienced management team with outstanding execution and innovation capabilities supported by highly proficient workforce.

BUSINESS STRATEGIES

We plan to leverage our competitive advantages in the securities business to expand our full-service operations, and aim to become a leading integrated financial group with strong local advantages and a global vision. We will continue to implement our full-service business strategy that is led by investment banking, underpinned by brokerage and wealth management and supported by asset management as well as investment and trading that differentiates us from our competitors. In particular, we plan to adopt the following measures to achieve our business strategy:

- Actively develop our e-Platform and continue to increase the revenue contribution from our capital-based intermediary businesses to further strengthen our leading position in the brokerage and wealth management business;
- Further develop our investment banking business to facilitate industry consolidation, strengthen M&A market leadership and enhance comprehensive service capabilities;
- Enhance our product innovation and further strengthen our active management capabilities by taking advantage of our integrated asset management business;
- Continue to improve our "non-directional" investment and trading capability and improve investment performance;
- Build a competitive and integrated overseas platform to promote the internalization of our business;
- Continue to develop IT infrastructure and risk management framework to support our business growth and build a first-class professional workforce; and
- Continue to optimize our capital structure and prudently increase our financial leverage through diverse financing channels.

SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, our registered share capital was RMB5,600,000,000, comprising 5,600,000,000 A Shares. Our single largest Shareholder, Jiangsu Guoxin was interested in approximately 23.53% of our issued share capital. Jiangsu Guoxin is a wholly state-owned enterprise in Jiangsu Province, the PRC. Other Shareholders who were interested in 5% or more of our A Shares included Jiangsu Communications Holding Company Limited, Jiangsu SOHO Holdings Group Co., Ltd. and Govtor Capital Group Co., Ltd.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), our share capital would comprise 5,460,000,000 A Shares and 1,540,000,000 H Shares, representing 78.0% and 22.0%, respectively, of our total share capital. Jiangsu Guoxin will continue to be our single largest Shareholder. Other Shareholders who are interested in 5% or more of our total issued capital would include Jiangsu Communications Holding Company Limited and Jiangsu SOHO Holdings Group Co., Ltd.

BUSINESS NAME IN HONG KONG

Our Chinese corporate name is "华泰证券股份有限公司" and we have been carrying on our business under the names "华泰" and/or "华泰证券" and/or its variations in the PRC. We are not in any way connected with or related to 華泰證券有限公司 (Wah Thai Securities Limited). To minimize the potential risks of legal proceedings, we carry on business as HTSC in Hong Kong and have taken additional measures for this purpose. See "Business—Intellectual Property Rights and Corporate Names" beginning on page 187 of this prospectus. We registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 16, 2014 under our English corporate name "Huatai Securities Co., Ltd." and Chinese corporate name "華泰證券股份有限公司". On April 9, 2015, we were served a notice under section 780 of the Companies Ordinance in respect of our Chinese corporate name registered under Part 16 of the Companies Ordinance, which was, in the view of the Registrar of Companies, "too like" a Chinese name which already existed in the index of names kept by the Registrar of Companies. We applied for, and the Registrar of Companies approved, "華泰六八八六股份有限公司" as our Chinese corporate name approved pursuant to section 782 of the Companies Ordinance, which was registered with the Registrar of Companies on May 11, 2015.

SUMMARY FINANCIAL INFORMATION

The following tables present our summary consolidated financial information as of and for the years ended December 31, 2012, 2013 and 2014, and our summary unaudited condensed consolidated financial information as of and for the three months ended March 31, 2015. We have derived this summary from our consolidated financial information set forth in the Accountants' Report in Appendix I and our unaudited condensed consolidated financial information set forth in Appendix II to this prospectus. You should read this summary in conjunction with our consolidated financial information included in the Accountants' Report in Appendix I and unaudited condensed consolidated financial information included in Unaudited Interim Financial Information in Appendix II to this prospectus, including the accompanying notes, and the information set forth in "Financial Information" beginning on page 265 of this prospectus.

Summary Consolidated Statements of Comprehensive Income

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Revenue					
Fee and commission income	4,379.5	5,627.3	8,127.3	1,419.1	3,544.2
Interest income	1,584.3	2,516.2	4,850.8	878.4	2,641.2
Net investment gains	918.3	780.8	2,678.8	481.0	1,163.3
Total revenue	**6,882.1**	**8,924.3**	**15,656.9**	**2,778.5**	**7,348.7**
Other income and gains	129.2	76.0	321.6	36.6	22.8
Total revenue and other income	**7,011.3**	**9,000.3**	**15,978.5**	**2,815.1**	**7,371.5**
Total expenses	**5,094.2**	**6,271.7**	**10,348.7**	**1,807.2**	**4,763.9**
Operating profit	**1,917.1**	**2,728.6**	**5,629.8**	**1,007.9**	**2,607.6**
Share of profit of associates	208.7	219.2	285.0	47.1	95.1
Profit before income tax	**2,125.8**	**2,947.8**	**5,914.8**	**1,055.0**	**2,702.7**
Income tax expense	462.5	671.0	1,375.0	245.0	667.9
Profit for the year/period	**1,663.3**	**2,276.8**	**4,539.8**	**810.0**	**2,034.8**
Attributable to Shareholders of the Company	1,617.9	2,219.7	4,486.3	805.7	2,015.4

Summary Consolidated Statements of Financial Position

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(RMB in millions)			
Non-current assets	13,088.7	12,797.0	18,449.5	21,742.6
Current assets	72,767.2	103,416.7	253,776.5	325,941.7
Total assets	**85,855.9**	**116,213.7**	**272,226.0**	**347,684.3**
Non-current liabilities	403.5	10,467.6	29,456.4	37,541.4
Current liabilities	50,272.0	68,945.1	200,825.2	268,467.6
Total liabilities	**50,675.5**	**79,412.7**	**230,281.6**	**306,009.0**
Total equity	**35,180.4**	**36,801.0**	**41,944.4**	**41,675.3**
Attributable to Shareholders of the Company	34,724.7	36,174.3	41,298.6	41,009.7

Summary Consolidated Statements of Cash Flow

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Net cash generated from/(used in) operating activities[(1)]	6,909.6	(15,196.0)	(11,173.5)	(6,098.5)	1,433.2
Net cash (used in)/generated from investing activities	(7,321.2)	1,908.5	2,324.8	2,537.5	725.5
Net cash (used in)/generated from financing activities	(817.7)	17,079.8	26,459.6	4,174. 4	9,384.9
Net (decrease)/increase in cash and cash equivalents	**(1,229.3)**	**3,792.3**	**17,610.9**	**613.4**	**11,543.6**
Cash and cash equivalents at the beginning of the year or period	11,732.6	10,503.0	14,273.1	14,273.1	31,883.9
Effect of foreign exchange rate changes	(0.3)	(22.2)	(0.1)	5.9	(13.5)
Cash and cash equivalents at the end of the year or period	**10,503.0**	**14,273.1**	**31,883.9**	**14,892.4**	**43,414.0**

(1) Due primarily to the rapid expansion of our capital-based intermediary businesses, we had negative operating cash flows in 2013 and 2014. We believe that we have strong ability to generate cash flows from operating activities during the Track Record Period and our operating cash flows before the changes in working capital amounted to RMB2,943.2 million, RMB4,435.6 million and RMB6,349.4 million, for 2012, 2013 and 2014, respectively. In addition, our net current assets increased from RMB22,495.2 million as of December 31, 2012 to RMB34,471.6 million as of December 31, 2013 and further to RMB52,951.3 million as of December 31, 2014, which proved to be sufficient to our working capital requirements during the Track Record Period.

Key Financial Data

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

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions, except %)				
Operating profit[1]	1,917.1	2,728.6	5,629.8	1,007.9	2,607.6
Operating margin[2]	27.3%	30.3%	35.2%	35.8%	35.4%
Adjusted operating margin[3][6]	33.5%	38.9%	47.5%	47.2%	54.0%
Profit for the year/period	1,663.3	2,276.8	4,539.8	810.0	2,034.8
Net margin[4]	23.7%	25.3%	28.4%	28.8%	27.6%
Adjusted net margin[5][6]	29.1%	32.5%	38.3%	37.9%	42.2%
Return on equity[7]	4.7%	6.3%	11.6%	2.2%	4.9%
Return on assets[8]	1.9%	2.3%	2.3%	0.7%	0.7%

(1) Operating profit = total revenue and other income — total expenses
(2) Operating margin = (operating profit)/total revenue and other income
(3) Adjusted operating margin = (operating profit)/(total revenue and other income-fee and commission expenses and interest expenses)
(4) Net margin = (profit for the year or period)/total revenue and other income
(5) Adjusted net margin = (profit for the year or period)/(total revenue and other income-fee and commission expenses and interest expenses)
(6) Adjusted operating margin and adjusted net margin are not standard measures under IFRS, but are presented here because PRC securities companies present their operating revenues after deduction of fee and commission expenses and interest expenses under PRC GAAP, which is different from the practices for presenting the gross revenue under IFRS. We believe that the adjusted operating margin and adjusted net margin provide appropriate indicators of our results of operations that are more comparable to other PRC securities companies due to different presentation requirements under PRC GAAP. Prospective investors should be aware that the adjusted operating margin presented in this prospectus may not be comparable to other similarly titled measures reported by other companies due to different calculation methods or assumptions.
(7) Profit for the year or period attributable to the Shareholders of our Company divided by the simple average balance of total equity attributable to the Shareholders of our Company as of the beginning and end of a year or period.
(8) Profit for the year or period divided by the simple average balance of total assets as of the beginning and end of a year or period.

The following table sets forth our segment revenue and other income (including inter-segment revenue), as well as the segment margin for the periods indicated:

	Year ended December 31,									Three months ended March 31,					
	2012			2013			2014			2014			2015		
	(RMB in million)	% of total	Segment margin (%)[1]	(RMB in million)	% of total	Segment margin (%)[1]	(RMB in million)	% of total	Segment margin (%)[1]	(RMB in million)	% of total	Segment margin (%)[1]	(RMB in million)	% of total	Segment margin (%)[1]
										(unaudited)					
Brokerage and wealth management	4,614.9	65.8	31.3	6,883.3	76.5	48.2	10,322.7	64.6	44.0	1,827.0	64.9	51.2	5,310.4	72.0	45.0
Investment banking	1,152.1	16.4	24.6	896.7	10.0	33.6	1,431.4	9.0	31.5	256.3	9.1	26.9	284.6	3.9	46.1
Asset management	122.6	1.7	45.0	387.1	4.3	71.0	1,376.2	8.6	77.9	186.5	6.6	84.6	398.5	5.4	64.5
Investment and trading	735.9	10.5	40.0	545.9	6.1	(17.3)[2]	2,421.4	15.2	56.4	486.2	17.3	54.0	1,230.3	16.7	69.2
Overseas business and others	402.4	5.8	12.2	415.5	4.5	(174.5)	436.7	2.7	(345.8)	59.3	2.1	(624.5)	148.0	2.0	(625.9)
Inter-segment eliminations	(16.6)	(0.2)	0.0[3]	(128.2)	(1.4)	(1.4)[3]	(9.9)	(0.1)	(0.1)[3]	(0.2)	0.0	0.0	(0.3)	0.0	0.0
Total revenue and other income	**7,011.3**	**100.0**	**27.3**	**9,000.3**	**100.0**	**30.3**	**15,978.5**	**100.0**	**35.2**	**2,815.1**	**100.0**	**35.8**	**7,371.5**	**100.0**	**35.4**

(1) Segment margin is calculated as the segment results (including inter-segment revenue) divided by the segment revenue and other income (including inter-segment revenue).
(2) Our investment and trading business had a segment loss and negative segment margin in 2013, due primarily to the decrease in the market prices of our equity and fixed-income investments as a result of the unfavorable market conditions in the PRC and our issuance of short-term commercial papers to finance our investment and trading business which resulted in increased segment expenses.
(3) Income and expenses of our overseas business and the income and expenses at our headquarter level which cannot be allocated to each other business segments, such as dividend income from associated companies, deferred employee bonus and interest expenses from corporate bonds, are included in the overseas business and others segment. Our overseas business and others segment recorded losses and negative operating margins in 2013 and 2014 mainly attributable to the deferred employee bonus, interest expenses and other various expense items that were recorded in this segment and also due to the fact that our overseas business had a loss as a result of the significant start-up expenses incurred by Huatai Financial Holdings in hiring professional talents and servicing offshore bonds.

The rapid increase of our revenue and profit during the Track Record Period was contributed primarily by the following:

- In our brokerage and wealth management business, segment revenue and other income increased from RMB4,614.9 million in 2012 to RMB6,883.3 million in 2013 and further to RMB10,322.7 million in 2014; and segment profit before income tax increased from RMB1,443.8 million in 2012 to RMB3,316.6 million in 2013 and further to RMB4,546.3 million in 2014, which was mainly attributable to (i) our ability to proactively reduce our brokerage commission rates and expand our customer base and market share rapidly amid the trend of declining brokerage commission rates across the industry; and (ii) the significant increase in the balance of our margin loans and securities lent as a result of favorable market conditions and the increasing customer penetration of our capital-based intermediary products;
- In our investment banking business, segment revenue and other income decreased from RMB1,152.1 million in 2012 to RMB896.7 million in 2013 but increased to RMB1,431.4 million in 2014; and segment profit before income tax increased from RMB283.4 million in 2012 to RMB301.5 million in 2013 and further to RMB450.8 million in 2014, which was mainly attributable to the substantial increase in the number and transaction value of our CSRC-approved M&A advisory transactions due to our long-term commitment to M&A advisory business and our top M&A advisory capability in the PRC as well as the increasing number of industry consolidations;
- In our asset management business, segment revenue and other income increased from RMB122.6 million in 2012 to RMB387.1 million in 2013 and further to RMB1,376.2 million in 2014; and segment profit before income tax increased from RMB55.2 million in 2012 to RMB274.8 million in 2013 and further to RMB1,071.6 million in 2014, which was mainly attributable to the significant growth of our AUM and our improved product innovation and active management capabilities; and
- In our investment and trading business, segment revenue and other income decreased from RMB735.9 million in 2012 to RMB545.9 million in 2013 but increased significantly to RMB2,421.4 million in 2014; and segment profit before income tax decreased from RMB294.3 million in 2012 to a loss of RMB94.5 million in 2013 but improved significantly to RMB1,364.5 million in 2014, which was mainly due to the fluctuations of the PRC securities market.

For a discussion of our segment results, see “Financial Information—Summary Segment Results” beginning on page 295 of this prospectus and “Financial Information—Selected Unaudited Financial Information as of and for the Three Months Ended March 31, 2015—Summary Segment Results for the Three Months Ended March 31, 2015 Compared to the Three Months ended March 31, 2014” beginning on page 325 of this prospectus.

RISK MANAGEMENT, CAPITAL ADEQUACY AND LIQUIDITY

We have been rated “AA” by the CSRC (the highest ranking attained by PRC securities firms so far) for five consecutive years since 2010. For details of the factors taken into account by the CSRC in assigning regulatory ratings, see “Regulatory Environment—Corporate Governance and Risk Control—Corporate Governance and Risk Control of Securities Companies—3. Classified Regulation” on page 115 of this prospectus. We focus on sustainable and stable growth which is fundamental to our corporate value. We have cultivated a sound risk culture in our business and set clear risk management objectives based on well-defined risk tolerance. Over the years, we have built a comprehensive and effective framework of risk management policies, procedures and mechanisms.

We have established a dynamic Net Capital monitoring mechanism to comply with statutory Net Capital requirements and other regulatory standards to maintain capital adequacy. As of December 31, 2014, we had Net Capital of RMB19.7 billion, among the highest in China. We are required to comply with certain risk control indicator requirements to engage in different businesses, such as securities brokerage business, margin financing and securities lending business, investment banking business, and investment and trading business. During the Track Record Period, we have complied with these risk control indicators and have not received any warnings or penalties from the CSRC in this regard. As of December 31, 2014, our Liquidity Coverage Ratio (ratio of our good-quality liquid assets to forecast net cash outflow for the next 30 days) and Net Stable Funding Ratio (ratio of available stable funding to required stable funding) stood at 223.7% and 91.2%, respectively, which were above the applicable minimum requirements of the SAC for December 31, 2014. See "Financial Information—Net Capital and other Regulatory Requirements" on page 314 of this prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

As required by the SSE Listing Rules, we published our quarterly report on April 23, 2015, containing our unaudited consolidated financial statements as of and for the three months ended March 31, 2015 prepared under PRC GAAP. As a result, we have included our unaudited condensed consolidated financial statements in the Unaudited Interim Financial Information in Appendix II to this prospectus. Our unaudited condensed consolidated financial statements have been prepared under IFRS and reviewed by our reporting accountants in accordance with Hong Kong Standards on Review Engagements 2410. See "Appendix II—Unaudited Interim Financial Information."

We have seen favorable market conditions, particularly the A share stock market and investor sentiment as well as positive industry outlook in the first quarter of 2015. As a result, our revenue and profit increased significantly during the period. In particular, our total revenue and other income and profit for the period increased to RMB7,371.5 million and RMB2,034.8 million, respectively, from RMB2,815.1 million and RMB810.0 million, respectively, during the same period in 2014. Our business and revenue growth was principally contributed by (i) the continued rapid growth of our margin financing and securities lending business, (ii) increased securities brokerage trading volume and market share, (iii) increased return from our equity and fixed-income investment and trading, (iv) increased number and transaction value of CSRC-approved M&As advised by us, and (v) the increased AUM of our securities-firm asset management business.

In addition, we are also required by the CSRC to announce selected unconsolidated unaudited monthly operating income and net profit and month-end net assets of our Company and its two securities subsidiaries, Huatai United and Huatai Asset Management by way of an announcement published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn/) on a monthly basis. The selected monthly financial data included in these announcements was prepared by our management in conformity with the PRC GAAP on an unconsolidated basis and was neither audited nor reviewed by our reporting accountants.

On May 8, 2015, we announced the selected unaudited unconsolidated financial data of our Company, Huatai United and Huatai Asset Management for the month of April 2015 on the website of the Shanghai Stock Exchange (http://www.sse.com.cn/):

- In April 2015, the unaudited unconsolidated revenue and net profit of our Company was RMB2,172.0 million and RMB933.4 million, respectively. As of April 30, 2015, the unaudited unconsolidated net assets of our Company were RMB37,245.1 million. These selected unaudited unconsolidated financial data were extracted from the unaudited interim unconsolidated financial statements of our Company for the month of April 2015 prepared under PRC GAAP. Our reporting accountants have performed a review on the unaudited interim unconsolidated financial statements of our Company for the month of April 2015 in accordance with Hong Kong Standards on Review Engagements 2410.

- In April 2015, the unaudited unconsolidated revenue and net profit of Huatai United was RMB163.8 million and RMB71.7 million, respectively. As of April 30, 2015, the unaudited unconsolidated net assets of Huatai United were RMB5,388.3 million. In April 2015, the unaudited unconsolidated revenue and net profit of Huatai Asset Management was RMB93.9 million and RMB58.4 million, respectively. As of April 30, 2015, the unaudited unconsolidated net assets of Huatai Asset Management were RMB496.6 million. The unaudited unconsolidated financial data presented above were prepared under PRC GAAP. Our reporting accountants have performed certain agreed-upon procedures for the selected unaudited unconsolidated financial data of Huatai United and Huatai Asset Management for April 2015 based on the Hong Kong Standard on Related Services 4400—*Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures include (i) agreeing the unaudited unconsolidated revenue, net profit and net assets of Huatai United and Huatai Asset Management to the respective unconsolidated management accounts for the month of April 2015; (ii) agreeing each line item in the unconsolidated management accounts for the month of April 2015 of Huatai United and Huatai Asset Management to their respective general ledgers; (iii) checking the mathematical accuracy of the unconsolidated management accounts for the month of April 2015; (iv) for Huatai United, (a) obtaining a schedule from management detailing the revenue by each investment banking project; (b) agreeing the total amount of revenue on the schedule to the general ledger; (c) agreeing the revenue of the top ten investment banking projects on the schedule to the sub-ledger; and (v) for Huatai Asset Management, (a) obtaining a schedule from management detailing the management fee revenue by each asset management scheme; (b) agreeing the total amount of management fee revenue on the schedule to the general ledger; (c) agreeing the management fee revenue of the top ten asset management schemes on the schedule to the sub-ledger.

These selected unaudited unconsolidated financial data were extracted from the unaudited management accounts of our Company, Huatai United and Huatai Asset Management for the respective periods, and are not an indication of our consolidated financial information for any period of a year or any full-year. We strongly caution you not to place any reliance on such information when considering investing in our H Shares. We have not provided a reconciliation of our selected unconsolidated unaudited financial data to IFRS because there is no material difference in accounting treatment between PRC GAAP and IFRS.

As the favorable conditions in the A share stock market continued after March 31, 2015, our revenue and profit increased substantially in April 2015 compared to the same period in 2014. Our securities brokerage trading volume increased significantly to RMB4,802.6 billion in April 2015 from RMB485.0 billion in April 2014. The balance of our margin loans and securities lent increased by

63.2% to RMB106,897.8 million as of April 30, 2015 from RMB65,482.9 million as of December 31, 2014. The AUM of our securities-firm asset management business increased by 31.0% to RMB452.5 billion as of April 30, 2015 from RMB345.5 billion as of December 31, 2014. The amount of equity securities underwritten by us increased by 91.8% to RMB4,323.0 million in April 2015 from RMB2,254.0 million in April 2014. The average cost of our investment and trading activities increased by 37.7% to RMB33,036.0 million in April 2015 from RMB23,999.7 million in April 2014.

In January 2015 and April 2015, we issued two tranches of long-term subordinated bonds with an aggregate principal amount of RMB18,000.0 million to further strengthen our capital adequacy and liquidity. Since December 31, 2014 and up to the Latest Practicable Date, we issued three tranches of short-term commercial papers with an aggregate principal amount of RMB11,000.0 million to supplement our working capital and roll over our existing short-term commercial papers. During the same period, we issued structured notes with an aggregate principal amount of RMB11,570.5 million. As part of our business strategy to prudently increase our financial leverage over time, we intend to issue additional short-term debt instruments and long-term bonds in the remainder of 2015, subject to market conditions and our capital needs.

On March 30, 2015, our shareholders approved a cash dividend of RMB2,800.0 million to be payable to the holders of our A Shares. We paid this cash dividend in April 2015 using our own cash and bank balances.

On April 13, 2015, China Securities Depository and Clearing Corporation Limited lifted its “one investor, one account” policy for retail brokerage investors in China and allowed an individual to open multiple securities accounts at different PRC securities firms. Immediately following this change in regulatory requirements, we started to offer investors who maintained securities accounts at any other securities firm the opportunities to open new accounts with us. With our industry-leading e-Platform and streamlined branch network, we believe that this new policy will enable us to attract more retail customers and expand our market shares quickly.

Our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that there is no event which could materially affect the information shown in our consolidated financial statements included in the Accountants’ Report set forth in Appendix I to this prospectus since December 31, 2014 (being the latest date of our audited consolidated financial statements), and as of the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects.

USE OF PROCEEDS

Assuming an Offer Price of HK$22.74 per H Share (being the mid-point of the stated range of the Offer Price of between HK$20.68 and HK$24.80 per H Share), we estimate that we will receive net proceeds of approximately HK$31,114.9 million from the Global Offering after deducting the underwriting commissions, the discretionary maximum incentive fee and other estimated expenses in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set out below:

- Approximately 60%, or HK$18,668.9 million, will be used to develop our capital-based intermediary businesses to satisfy the increasing investment and financing needs of our clients;

- Approximately 10%, or HK$3,111.5 million, will be used to expand our investment and trading business and to invest in other financial products as approved by the PRC regulatory authorities;
- Approximately 10%, or HK$3,111.5 million, will be used to contribute additional capital to Huatai Zijin and Huatai Asset Management for expanding our asset management and private equity management businesses;
- Approximately 10%, or HK$3,111.5 million, will be used to develop our overseas business; and
- Approximately 10%, or HK$3,111.5 million, will be used for working capital and general corporate purposes.

For more details, see "Future Plans and Use of Proceeds" beginning on page 341 of this prospectus.

OFFER STATISTICS

All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

	Based on an Offer Price of HK$20.68	Based on an Offer Price of HK$24.80
Market capitalization of the H-shares[(1)]	HK$31,847.2 million	HK$38,192.0 million
Unaudited pro forma adjusted consolidated net tangible assets per share[(2)]	HK$ 11.39	HK$ 12.20

(1) The calculation of market capitalization is based on 1,540,000,000 H Shares (including 1,400,000,000 H Shares to be issued in the Global Offering and 140,000,000 H Shares to be converted from A Shares and transferred to the NSSF, which are expected to be outstanding immediately following the completion of the Global Offering.

(2) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after the adjustments referred to in "Appendix III—Unaudited Pro Forma Financial Information." The unaudited pro forma adjusted consolidated net tangible assets does not take into account our financial results or other transactions of the Group after March 31, 2015. The unaudited consolidated net assets attributable to shareholders of the Company has taken into account the dividend of RMB0.5 per A Share to our existing holders of A Shares, equivalent to RMB2,800 million in aggregate, approved by our existing Shareholders at the annual general meeting on March 30, 2015.

DIVIDEND POLICY

In 2012, 2013 and 2014, we declared cash dividends of RMB840.0 million, RMB840.0 million and RMB840.0 million, respectively, representing a dividend of RMB0.15, RMB0.15 and RMB0.15 per A Share, respectively. On December 11, 2014, our shareholders resolved that our accumulated undistributed profits before the Global Offering would be shared among our existing shareholders and new shareholders. On March 30, 2015, at the annual general meeting, our shareholders approved that we declare a cash dividend of RMB2,800.0 million to the holders of our A Shares, which we paid in April 2015. Our historical dividends may not be indicative of future dividends payments. For further details, see "Financial Information—Dividend Policy" on page 338 of this prospectus.

RISK FACTORS

There are a number of risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business and industry, (ii) risks relating to the PRC, and (iii) risks relating to the Global Offering. We believe our major risks include:

- General economic and market conditions could materially and adversely affect our business.

- We are subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in these regulatory requirements, may affect our business operations and prospects.
- The PRC securities industry is highly competitive and the gradual deregulation may cause new market competitors to enter into the market which could adversely affect our businesses and prospects.
- Our brokerage and wealth management business is subject to various risks and there can be no assurance that our brokerage fee and commission income can be sustained.
- We may suffer significant losses from our credit exposures in our capital-based intermediary businesses, futures brokerage business and OTC transactions.
- Our investment banking business is subject to various risks in financial advisory services and underwriting and sponsorship of securities and there can be no assurance that our financial advisory, underwriting and sponsorship fees can be sustained.
- A significant decline in the size of our AUM or a poor investment performance may materially and adversely affect our asset management business.
- Our investment and trading business is subject to market volatility and the investment decisions that we make.
- The use of our Chinese and English corporate names and Chinese Approved Name by our Company in this prospectus and the use of them in the course of trade or business in Hong Kong may be challenged due to potential third party trademark infringement and passing off claims. We have adopted a different business name in Hong Kong as a result but we may not be able to benefit from our well-known brand name in the PRC.

For further information relating to these and other risks relating to an investment in our H Shares, see “Risk Factors” beginning on page 32 of this prospectus.

REGULATORY NON-COMPLIANCE AND INSPECTIONS

We are subject to regulation by PRC and Hong Kong regulatory authorities, such as the CSRC, the Shanghai Stock Exchange, SAC, PBOC and the SFC. We have, during the Track Record Period and the three months ended March 31, 2015, been involved in regulatory non-compliance incidents that have led to regulatory fines or the deduction of regulatory points. The CSRC inspected our margin financing and securities lending business in February 2015 and issued a regulatory letter identifying certain non-compliance incidents on April 3, 2015. In addition, we may be subject to inspections and examinations by the CSRC and other regulatory agencies, which may reveal certain deficiencies with respect to our business operations, risk management and internal controls. See “Business—Legal and Regulatory” beginning on page 216 of this prospectus for details.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions, incentive fee and other fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be approximately RMB569.4 million, of which approximately RMB555.7 million is directly attributable to the issue of H Shares to the public and to be capitalized, and approximately RMB13.7 million is expected to be reflected in our consolidated income statements. Our Directors do not expect such expenses to materially impact our results of operations for 2015.

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

"A Share(s)"	domestic shares of our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shanghai Stock Exchange
"active client(s)"	client(s) holding non-dormant account(s)
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Applications Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix VI to this prospectus
"Asia Securities"	Asia Securities Co., Ltd. (亞洲證券有限責任公司) a company incorporated in the PRC with limited liability on May 29, 2002, whose securities business assets were entrusted to and acquired by us in 2005
"Bluefocus Communication"	Bluefocus Communication Group Co., Ltd. (北京藍色光標品牌管理顧問股份有限公司), a joint stock limited company incorporated in the PRC on November 4, 2002, a client of our investment banking business
"Board" or "Board of Directors"	the Board of Directors of our Company
"Bohai Rim"	the region in China comprising Beijing, Tianjin, Hebei, Liaoning and Shandong provinces
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
"CBRC"	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CEIBS"	China Europe International Business School
"China Securities"	China Securities Newspaper of the PRC
"China Securities Finance"	China Securities Finance Corporation Limited (中國證券金融股份有限公司), a joint stock company established under the direction of the State Council to provide, among other

	functions, margin and securities refinancing services to support the margin financing and securities lending businesses of PRC securities firms
"China Southern Asset Management"	China Southern Asset Management Co., Ltd. (南方基金管理有限公司), a company incorporated in the PRC with limited liability on March 6, 1998, owned as to 45% by our Company as of the Latest Practicable Date
"Company" or "our Company"	a joint stock company incorporated in the PRC with limited liability under the corporate name 华泰证券股份有限公司 (Huatai Securities Co., Ltd.), converted from our predecessor 华泰证券有限责任公司 (Huatai Securities Limited Liability Company) on December 7, 2007, carrying on business in Hong Kong as "HTSC", and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance under the Chinese corporate name approved pursuant to section 782 of the Companies Ordinance as "華泰六八八六股份有限公司" (as a result of being served a notice by the Registrar of Companies pursuant to section 780 under the Companies Ordinance) and English corporate name of "Huatai Securities Co., Ltd."; the A Shares of which has been listed on the Shanghai Stock Exchange since February 26, 2010 (Stock Code: 601688), and except where the context otherwise requires includes its predecessors
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on December 28, 2013 and became effective on March 1, 2014
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of our Company
"dormant account"	the A share account and related capital account of an investor whose securities account has nil balance, whose capital account has balance of no more than RMB100 and who has not conducted any trading in securities under his securities account in the last three consecutive years
"DHC Software"	DHC Software Co., Ltd. (東華軟件股份公司), a joint stock limited company incorporated in the PRC on January 20, 2001, a client of our investment banking business
"EIT"	enterprise income tax of the PRC
"Exchange Participant(s)"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"GREEN Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group," "our Group," "we" or "us"	our Company and its subsidiaries, and their respective predecessors
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange

"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HK$" or "HK dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Offer Shares"	the 70,000,000 H Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus and on the Application Forms as further described in "Structure of the Global Offering—Hong Kong Public Offering" in this prospectus
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting—Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated May 18, 2015 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in "Underwriting—Underwriting Arrangements and Expenses—The Hong Kong Public Offering—Hong Kong Underwriting Agreement" in this prospectus
"Huatai Asset Management"	Huatai Securities (Shanghai) Asset Management Co., Ltd. (華泰證券（上海）資產管理有限公司), a company incorporated in the PRC with limited liability on October 16, 2014, and a wholly-owned subsidiary of our Company

"Huatai Financial Holdings"	Huatai Financial Holdings (Hong Kong) Limited (華泰金融控股（香港）有限公司), a company incorporated in Hong Kong with limited liability on November 23, 2006, and a wholly-owned subsidiary of our Company
"Huatai Futures" or "Great Wall Weiye Futures"	Great Wall Weiye Futures Co., Ltd. (長城偉業期貨有限公司), a company incorporated in the PRC with limited liability on July 10, 1995, renamed as Huatai Great Wall Futures Co., Ltd. (華泰長城期貨有限公司) in August 2010 and subsequently renamed as Huatai Futures Co., Ltd. (華泰期貨有限公司) in April 2015, owned as to 60% by our Company as of the Latest Practicable Date
"Huatai-PineBridge" or "AIG-Huatai"	AIG-Huatai Fund Management Co., Ltd. (友邦華泰基金管理有限公司), a company incorporated in the PRC with limited liability on November 18, 2004, renamed as Huatai-PineBridge Fund Management Co., Ltd. (華泰柏瑞基金管理有限公司) in May 2010, owned as to 49.0% by our Company as of the Latest Practicable Date
"Huatai United" or "United Securities"	United Securities Co., Ltd (聯合證券有限責任公司), a company incorporated in the PRC with limited liability on September 5, 1997, renamed as Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司) in 2009, owned as to 98.576% by our Company as of the Latest Practicable Date
"Huatai Zijin Investment"	Huatai Zijin Investment Co., Ltd. (華泰紫金投資有限責任公司), a company incorporated in the PRC with limited liability on August 12, 2008, and a wholly-owned subsidiary of our Company
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards, and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	party(ies) not connected with us within the meaning of the Hong Kong Listing Rules as far as our Directors are aware after having made all reasonable enquiries
"International Offer Shares"	the 1,330,000,000 H Shares initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)

"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around May 22, 2015 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in "Underwriting—International Offering" in this prospectus
"Jiangsu Equity Exchange"	Jiangsu Equity Exchange Co., Ltd. (江蘇股權交易中心有限責任公司), a company incorporated in the PRC with limited liability on July 4, 2013, owned as to 52.0% by our Company as of the Latest Practicable Date
"Jiangsu Guoxin"	Jiangsu Guoxin Investment Group Limited (江蘇省國信資產管理集團有限公司), a company incorporated in the PRC with limited liability on February 22, 2002, and a substantial shareholder of our Company
"Jiangsu SASAC"	State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government (江蘇省人民政府國有資產監督管理委員會)
"Joint Bookrunners"	Huatai Financial Holdings (Hong Kong) Limited, J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering), J.P. Morgan Securities plc (in relation to the International Offering), UBS AG Hong Kong Branch, ICBC International Capital Limited, BNP Paribas Securities (Asia) Limited, China Merchants Securities (HK) Co., Limited, Credit Suisse (Hong Kong) Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), Goldman Sachs (Asia) L.L.C., Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), Deutsche Bank AG, Hong Kong Branch, Nomura International (Hong Kong) Limited, ABCI Capital Limited, CCB International Capital Limited, GF Securities (Hong Kong) Brokerage Limited and Industrial Securities (Hong Kong) Capital Limited

"Joint Global Coordinators"	Huatai Financial Holdings (Hong Kong) Limited, J.P. Morgan Securities (Asia Pacific) Limited, UBS AG Hong Kong Branch, ICBC International Capital Limited, BNP Paribas Securities (Asia) Limited and China Merchants Securities (HK) Co., Limited
"Joint Lead Managers"	Huatai Financial Holdings (Hong Kong) Limited, J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering), J.P. Morgan Securities plc (in relation to the International Offering), UBS AG Hong Kong Branch, ICBC International Securities Limited, BNP Paribas Securities (Asia) Limited, China Merchants Securities (HK) Co., Limited, Credit Suisse (Hong Kong) Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), Goldman Sachs (Asia) L.L.C., Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), Deutsche Bank AG, Hong Kong Branch, Nomura International (Hong Kong) Limited, ABCI Securities Company Limited, CCB International Capital Limited, GF Securities (Hong Kong) Brokerage Limited and Industrial Securities (Hong Kong) Capital Limited
"Joint Sponsors"	Huatai Financial Holdings (Hong Kong) Limited, J.P. Morgan Securities (Far East) Limited and UBS Securities Hong Kong Limited
"Latest Practicable Date"	May 11, 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or around June 1, 2015, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Mandatory Provisions"	the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (到境外上市公司章程必備條款),

	as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on September 29, 1994
"Mergermarket"	a leading international financial data and information provider with its website at www.mergermarket.com
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會)
"New Fortune"	the New Fortune (新財富) magazine
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NSSF"	the National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會)
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) of not more than HK$24.80 and expected to be not less than HK$20.68, at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in "Structure of the Global Offering—Pricing and Allocation" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 210,000,000 additional H Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this prospectus

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Pearl River Delta"	the region in China comprising Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Huizhou, Jiangmen and Zhaoqing, all located in Guangdong province
"PRC GAAP"	generally accepted accounting principles of PRC
"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Friday, May 22, 2015 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company may agree, but in any event no later than Monday, May 25, 2015
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Risk Control Indicator Measures"	Administrative Measures for the Risk Control Indicators of Securities Companies in the PRC (證券公司風險控制指標管理辦法)
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAC"	the Securities Association of China (中國證券業協會)
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (國家稅務總局)
"SME(s)"	small and medium-sized enterprise(s)

"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Securities Law"	the Securities Law of the People's Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"Securities Times"	Securities Times Newspaper (證券時報) of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Securities News"	Shanghai Securities News of the PRC
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"SOE(s)"	state-owned enterprise(s)
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
"SSE Listing Rules"	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (上海證券交易所股票上市規則), as amended
"Stabilizing Manager"	UBS AG Hong Kong Branch
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Track Record Period"	the three years ended December 31, 2012, 2013 and 2014
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"WHITE Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Wind Info"	Wind Information Co., Ltd. (上海萬得信息技術股份有限公司), a company with limited liability incorporated in the PRC and a service provider of financial data, information and software, being an Independent Third Party of the Company
"Xintai Securities"	Xintai Securities Co., Ltd. (信泰證券有限責任公司), a company incorporated in the PRC with limited liability on June 27, 1994 and merged by the Company by way of absorption in June 2009
"Yangtze River Delta"	the region comprising Jiangsu and Zhejiang provinces and Shanghai
"YELLOW Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"%"	per cent

In this prospectus, the terms "associate" , "close associate", "connected person" , "core connected person", "connected transaction", "controlling shareholder" and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

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

For ease of reference, the English names of the PRC established companies or entities, laws or regulations are translation and/or transliteration of their Chinese names and have been included in this prospectus for identification purposes only. In the event of any inconsistency between the Chinese names and their English translations and/or transliterations, the Chinese versions shall prevail.

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

"A share(s)"	the shares that are traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange in Renminbi
"affluent client(s)"	our individual client(s) with account balance of equal to or over RMB0.3 million, but less than RMB5 million
"AUM"	the amount of assets under management
"average securities brokerage commission rate"	equals the commission and fee income on our securities brokerage business as divided by our brokerage trading volume for stocks and funds
"bps"	basis points
"CAGR"	compound annual growth rate
"ChiNext Board"	the growth enterprise board launched by the Shenzhen Stock Exchange
"collateral coverage ratio"	for securities-backed lending business, it refers to the ratio of the market value of equity pledged by clients to the loans and accrued interests of the clients; for stock repurchase business, it refers to the ratio of the market value of underlying securities sold by clients to the transaction amount
"collective asset management scheme"	an asset management contract entered into with multiple clients by a securities firm in China, pursuant to which the clients' assets are placed in the custody of commercial banks qualified to hold client transaction settlement funds or in other institutions approved by the CSRC, and the securities firm provides asset management services to the clients through designated accounts
"CRM"	Customer Relationship Management
"CSI 300 Index"	a capitalization-weighted stock market index designed to replicate the performance of 300 stocks traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange, which is compiled by the China Securities Index Co., Ltd. (中證指數有限公司)
"CSI SH-SZ-HK 400 Index"	consisting of the CSI 300 Index constituents and the CSI HK 100 Index constituents
"dim sum bonds"	RMB-denominated bonds issued in Hong Kong

"equity return swap"	an OTC derivatives transaction, through which a securities firm and a qualified client agree to conduct an income swap in accordance with the agreed amount of nominal principal and income within a fixed period in the future. Income under such swap shall be linked with the performance of the subject equity securities including stocks and indexes
"ETFs"	exchange-traded funds
"FICC"	fixed-income, currencies and commodities
"futures IB business"	the business activities in which securities firms, as commissioned by futures companies, introduce customers to futures companies to provide futures brokerage and other related services
"H share(s)"	overseas-listed shares of PRC companies that are traded on the Hong Kong Stock Exchange
"high net-worth client(s)"	our individual client(s) with account balance of equal to or above RMB5.0 million
"IPO"	initial public offering
"IT"	information technology
"light-touch branch(es)"	also known as "Type-C branch(es)", which are not equipped with on-site information systems nor provide on-site securities trading services
"M&A"	mergers and acquisitions
"margin and securities refinancing"	a business in which securities firms can act as intermediaries to borrow funds or securities from the China Securities Finance Co., Ltd. (中國證券金融股份有限公司) and other authorized financial institutions, and lend such funds and securities to their clients
"maintenance margin ratio"	the ratio of total margin account balance of clients, which includes cash and securities held in the margin account, to the margin balance of clients, which is the sum of margin loans extended, securities sold short and any accrued interest and fees
"NEEQ"	National Equities Exchange and Quotations (全國中小企業股份轉讓系統), also known as the New OTC Board
"Net Capital"	equals net assets minus risk-adjusted financial assets minus other risk-adjusted assets and contingent liability plus/minus capital from other adjustments recognized or approved by the CSRC

"OTC"	over-the-counter
"PC"	personal computer
"QDII"	Qualified Domestic Institutional Investor (合格境內機構投資者)
"QFII"	Qualified Foreign Institutional Investor (合格境外機構投資者)
"regional equity exchange"	regional equity depositary trading center which is intended to facilitate financing to SMEs
"retail client(s)"	our individual client(s) with account balance lower than RMB0.3 million
"RQFII"	RMB Qualified Foreign Institutional Investors (人民幣合格境外機構投資者)
"stock repurchase"	a transaction pursuant to the securities repurchase agreement in which a qualified investor sells its securities to a securities firm and agrees to repurchase such securities at a fixed price on a future date
"securities-backed lending"	a transaction in which a securities firm provides financing to qualified customers who pledge their securities as collateral
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for the establishment of mutual market access between Hong Kong and Shanghai, including Southbound Trading and Northbound Trading
"SME Board"	the Small and Medium Enterprises Board of the Shenzhen Stock Exchange
"SME private bonds"	corporate bonds issued by private small and medium enterprises in China through private placements
"specialized asset management scheme"	a specialized asset management contract entered into with clients by a securities firm in China, pursuant to which the securities firm manages client's certain assets for specific purpose
"sponsor representative"	a professional representative qualified in China to sponsor and execute the offering and listing of securities pursuant to the Measures for the Administration of the Sponsorship of the Offering and Listing of Securities of the PRC (證券發行上市保薦業務管理辦法)

"stock index futures"	cash-settled standardized futures contracts with a particular stock market index as the underlying asset
"structured notes"	marketable securities issued by securities firms with the payment of principal and return linked to specific underlying assets
"targeted asset management scheme"	a targeted asset management contract entered into by a securities firm in China with a single client, pursuant to which the securities firm provides asset management services to the client through accounts under the client's name
"TMT"	telecommunications, media and technology

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

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

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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

General economic and market conditions could materially and adversely affect our business.

Our business is highly dependent on economic and market conditions in China, as a substantial majority of our revenue is derived from the securities markets in China. Like other businesses operating in the same industry, our business is directly affected by the inherent risks associated with the securities markets, such as market volatility, fluctuations in the trading volume and the credit capacity or perceived creditworthiness of the securities industry in the marketplace. Our business is also subject to general economic and political conditions, such as macroeconomic and monetary policies, legislation and regulations affecting the financial and securities industries, upward and downward trends in the business and financial sectors, inflation, currency fluctuations, availability of short-term and long-term market funding sources, cost of funding and the level and volatility of interest rates. In 2012, 2013 and 2014, China's securities industry and our results of operations were affected by the monetary policies and inflation in the PRC and the volatility in the PRC securities markets. For example, the A share stock markets in China experienced a surge and set a historical record in trading volume in the fourth quarter of 2014. According to Wind Info, the trading volume in the PRC stock market in the fourth quarter of 2014 was RMB33.6 trillion, representing 44.2% of the aggregate trading volume in the PRC stock market for 2014. Accordingly, both of our securities brokerage trading volume and fee and commission income from securities brokerage significantly increased during the fourth quarter of 2014. However, there is no assurance that such business performance and favorable economic and market conditions will be sustained.

Our businesses, financial condition and results of operations may be adversely affected by general economic and market conditions in many ways, including, among others:

- Our securities brokerage business depends on trading volumes and equity market performance. Unfavorable economic and market conditions can adversely affect investor sentiment and trading and investment activities, resulting in reduced brokerage fee and commission income.
- Our investment banking business has been and may continue to be adversely affected by market conditions. Unfavorable economic conditions and other adverse geopolitical conditions may negatively impact investor confidence and corporate finance activities, resulting in significant declines in the size and number of M&A and fund raising transactions, which may have a material adverse effect on the revenue and profitability of our investment banking business.

- We receive asset management fees based on the value of our clients' portfolios or their assets under investment accounts that we managed. In addition, we also earn performance fees on certain asset management schemes. Market volatility and adverse economic conditions may reduce our AUM, and affect the performance of the assets or funds we manage, which could adversely affect our ability to receive management fees or performance fees.

- We have net long trading positions in various equity and fixed income securities as part of our investment and trading business. As a substantial portion of these financial instruments is marked to market, declines in fair values could directly impact our profit and capital position, unless we have effectively hedged our exposures to such declines. However, it may not be possible or economical for us to entirely hedge such exposures. Sudden declines and significant volatility in the asset prices may cause us to incur significant losses or record significant unrealized losses.

We are subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in these regulatory requirements, may affect our business operations and prospects.

As a participant in the financial services industry, we are subject to extensive regulation in China and Hong Kong. Our regulators limit our business activities by imposing capital requirements, limiting the types of products and services we may offer and restricting the types of securities we may invest in.

The regulatory authorities in China and Hong Kong conduct periodic inspections, examinations and inquiries in respect of our compliance with relevant regulatory requirements. For example, the CSRC assigns a regulatory rating to each securities firm based on their risk management capabilities, competitiveness and compliance with regulatory requirements. We are among a few PRC securities firms to have received an "AA" regulatory rating (the highest rating attained by any PRC securities firm so far) from the CSRC for five consecutive years. For details of the factors taken into account by the CSRC in assigning regulatory ratings, see "Regulatory Environment." However, there is no assurance that the CSRC will not lower our regulatory rating in the future, which may make us ineligible for conducting certain new businesses or obtaining business permits or approvals for our businesses or cause us to be subject to a higher risk capital reserve ratio or a higher reserve ratio for our securities investor protection fund. If we cannot fully comply with the various requirements of this inspection, our business, financial condition and results of operations may be materially and adversely affected.

Failure to comply with the applicable regulatory requirements could result in sanctions, fines, penalties or other disciplinary actions, including, among other things, a downgrade of our regulatory rating and limitations or prohibitions on our future business activities, which may limit our ability to conduct pilot programs and launch new businesses, and harm our reputation, and consequently materially and adversely affect our business, financial condition and results of operations. During the Track Record Period and the three months ended March 31, 2015, we or our employees have been involved in incidents of non-compliance and received related warnings or penalties from the relevant regulatory authorities. These incidents of non-compliance included, among other things, our failure to correctly interpret the regulatory guidelines and requirements where they are unclear or where regulators subsequently revise their previous guidance, and the failure of Huatai United's sponsor representatives to adequately verify financial information during the due diligence of an IPO. In addition, in February 2015, the CSRC inspected our margin financing and securities lending business and issued a regulatory letter identifying certain non-compliance incidents with respect to our margin financing and securities lending accounts on April 3, 2015. As of April 10, 2015, non-compliant accounts accounted for approximately 0.21% of our total accounts. In 2012, 2013 and 2014 and the three months ended March 31, 2015, the total interest income and fee and commission income from these non-compliant accounts was RMB0, RMB0, RMB2.7 million and RMB13.7 million, accounting for approximately 0%, 0%, 0.09% and 0.72% of the total interest income and fee and commission income of our margin financing and securities lending business, respectively. The fines that regulatory authorities imposed on us for non-compliance incidents amounted to RMB0, RMB12.0 million, RMB0.5 million and RMB0 in 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. See "Business—Legal and Regulatory—Regulatory Non-compliances." Material incidents of non-compliance may subject us to penalties, limitations, conditions or prohibitions on our business activities, which could have a material adverse effect on our business, financial condition and results of operations.

Moreover, the securities industry is a highly regulated industry and relevant rules and regulations could be changed from time to time based on the development of the securities markets. New rules and regulations, and changes in the interpretation or enforcement of currently existing rules and regulations may directly impact our business strategies and prospects. For example, in January 2015, the CSRC required an increase of minimum securities account balance to RMB500,000 for new clients who wish to engage in margin financing and securities lending. In addition, the AUM of our targeted asset management schemes grew significantly in 2013 and 2014 due to changes in regulatory requirements which resulted in a substantial increase in market demand for fee-based targeted asset management schemes. We cannot assure you the AUM of our targeted asset management schemes will continue to grow at a similar rate or at all in the future due to adverse changes in regulatory requirements or otherwise. In addition, changes in the rules and regulations could result in limitations on the business lines that we may conduct, modifications to our business practices or additional costs, which may adversely affect our ability to compete effectively with other institutions that are not affected in the same way.

The PRC securities industry is highly competitive and the gradual deregulation may cause new market competitors to enter into the market which could adversely affect our businesses and prospects.

The PRC securities industry is highly competitive and we face intense competition in most of our business lines.

For our brokerage and wealth management business, we compete primarily with other PRC securities firms in terms of pricing and the range of products and services offered. Currently, there are 124 registered securities firms in the PRC and intense price competition in recent years has led us to proactively reduce our fee and commission rates for securities brokerage. Also see "—Our brokerage and wealth management business is subject to various risks and there can be no assurance that our brokerage fee and commission income can be sustained."

For our investment banking business, we compete primarily with other PRC or Sino-foreign joint venture securities firms as well as PRC commercial banks in terms of brand recognition, marketing and distribution capability, service quality, financial strength and pricing. Intense competition may result in lower underwriting and advisory fees for our investment banking business. Also see "—Our investment banking business is subject to various risks in financial advisory services and underwriting and sponsorship of securities and there can be no assurance that our financial advisory underwriting and sponsorship fees can be sustained."

For our asset management business, we compete primarily with other securities firms, fund management companies, banks, insurance companies and other financial institutions in the PRC in terms of the range of products and services offered, pricing and quality of customer service.

Some of our competitors may have certain competitive advantages over us, including greater financial resources, stronger brand recognition, broader product and service offerings and a branch network with wider geographic coverage. They may also have more experience with a broader range of services and more complex financial products than us.

Meanwhile, the gradual deregulation of the PRC securities industry and the tendency towards mixed business operations in the PRC's financial industry may cause new competitors to enter into the securities industry, or allow our current competitors to expand the scope of their business into new business lines. According to a statement made by the CSRC on March 6, 2015, the CSRC is studying a proposal to open up the PRC securities industry to financial institutions such as commercial banks, without giving any timetable on when the new policy will be announced. We believe that allowing PRC commercial banks to enter the securities industry is expected to intensify market competition, particularly in securities brokerage and equity underwriting, as well as to accelerate industry reforms as traditional commercial banks generally have greater financial resources, wider branch network and larger customer base compared to securities firms, like us. The deregulation of the PRC securities industry could also induce foreign financial institutions to enter into the PRC market, which institutions are currently subject to PRC regulatory limitations and restrictions on their business activities.

Our brokerage and wealth management business is subject to various risks and there can be no assurance that our brokerage fee and commission income can be sustained.

Brokerage fee and commission income represent a significant portion of our revenue. In 2012, 2013 and 2014, fee and commission income from our securities brokerage business amounted to RMB3,166.5 million, RMB4,468.3 million and RMB6,363.1 million, respectively, representing 45.2%, 49.6% and 39.8% of our total revenue and other income, respectively. Our brokerage and wealth management business is significantly affected by external factors, such as general economic conditions, macroeconomic and monetary policies, market conditions and fluctuations in interest rates, all of which are beyond our control. For example, according to the CSRC, the combined daily average trading volume of the Shanghai Stock Exchange and Shenzhen Stock Exchange increased by 52.1% from RMB129.5 billion in 2012 to RMB196.9 billion in 2013, and further increased by 54.2 % to RMB303.6 billion in 2014. Consequently, our stocks and funds brokerage trading volume increased by 66.0% in 2013, and further increased by 111.6% in 2014. In particular, the A share stock markets experienced a surge and set a historical record in trading volume in the fourth quarter of 2014 and both of our securities brokerage trading volume and fee and commission income from securities brokerage significantly increased during the fourth quarter of 2014. However, we cannot assure you that such business performance and favorable economic and market conditions will be sustained.

Market competition is another key factor affecting our brokerage and wealth management business. We monitor our product pricing in relation to competitors and adjust commission rates and other fee structures to enhance our competitiveness. In light of the decreasing brokerage fee and commission rate in the PRC securities market, we have adopted cost reduction measures and proactively lowered our brokerage fee and commission rate to expand customer base and gain market share. As a result, our average brokerage fee and commission rate was 8.6bps, 7.4bps, 4.8bps and 4.2bps in 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. Some of our competitors also launched online brokerage services in recent years, which have caused them to continue to lower their brokerage commission rates. If an increasing number of discount brokers and Internet companies seek to enter and expand the online brokerage business, the brokerage fee and commission rate in the industry may further decrease, which could adversely affect our price competitiveness. With the gradual relaxation of the PRC securities regulations, particularly the potential opening up of the securities market to commercial banks, we believe that the PRC securities industry will become increasingly competitive.

We also face pressure to maintain our client base and attract new clients. As of March 31, 2015, we had over 6.8 million brokerage and wealth management clients. However, there is no assurance that we will be able to continue to maintain or grow our client base. If we are unable to address the needs of our clients by maintaining high-quality client service, continuing product innovation, providing value-added services, or if we otherwise fail to meet our clients' demands or expectations, we may lose our existing clients to our competitors or fail to attract new clients. As a result, our business, financial condition and results of operations may be adversely affected.

In addition to our own asset management products, we also distribute, through our branch network and e-Platform, financial products developed by third-party financial institutions, such as fund management companies, trust companies and commercial banks in China. As a third-party distributor, we are not liable for any investment loss or default directly derived from the third-party financial products we distributed to our customers. However, we may be subject to client complaints and possibly litigations which could have an adverse effect on our reputation and wealth management business. In addition, certain of these third-party financial products, such as trust schemes and structural OTC products, may have complex structures and involve various risks, including credit risks, interest risks, liquidity risks and other risks. Our risk management policies and procedures may not be fully effective in indentifying the risks of these financial products, and our sales employees may fail to disclose such risks to our wealth management customers, in which case, our customers may invest in financial products that are too risky for their risk tolerance and investment preference, and may suffer a significant loss. This may also subject us to client complaints and litigation risks. As a result, our reputation, customer relationships, business and prospects will be materially and adversely affected. See "Business—Risk Management and Internal Control Measures in Our Major Business Lines—Brokerage and Wealth Management Business—Sales of Financial Products."

We may suffer significant losses from our credit exposures in our capital-based intermediary businesses, futures brokerage business and OTC transactions.

Our capital-based intermediary businesses, including margin financing and securities lending, securities-backed lending, and stock repurchases, as well as our futures brokerage business, are subject to the risk that a client may fail to perform its payment obligations or that the value of collaterals held by us secure the obligations might become inadequate. We also face credit risks in our role as a counterparty in derivative contracts and other OTC transactions. Any material non-payment or non-performance by a client or counterparty could adversely affect our financial position, results of operations and cash flows. Although we regularly review our credit exposure to specific clients or counterparties and to specific industries that we believe may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee. We may also fail to receive all relevant information with respect to the credit risks of our clients and counterparties. See "Business—Risk Management—Monitoring and Management of Major Risks—Credit Risk."

In our capital-based intermediary businesses, we may enforce liquidation of collateral if our clients are unable to meet their obligations as scheduled, or whose maintenance margin ratios/collateral coverage ratios are lower than our minimum threshold due to fluctuations in market prices of the collateral while failing to replenish the value of collateral. In our futures brokerage business, we require our clients to maintain a certain amount of account balance for their futures trading. We conduct automatic valuations for clients' account balances on each trading day, and, in the event of an insufficient account balance, we require clients to replenish their account balance or liquidate their positions. Such mandatory liquidation mechanism may trigger disputes between clients and us, which may subject us to significant expenses or litigation risks. See "Business—Risk Management and Internal Control Measures in Our Major Business Lines—Brokerage and Wealth Management Business—Capital-based Intermediary Businesses."

Our ability to carry out forced liquidation of client positions is adversely affected by market volatilities. If the market price of securities which we hold as collateral decreases sharply for an extended period, the value of the collateral may fall below the value of our margin loans when we are unable to liquidate clients' positions in a timely manner due to the daily price fluctuation limit on the A share stock markets, resulting in significant losses.

In addition, we also conduct OTC trades with our clients as a counterparty to provide them with customized products or services, such as repurchase or resale transactions and equity return swaps. Because there is no exchange or clearing agent for these contracts, we will be subject to the credit risk of non-performance of the counterparty.

Our investment banking business is subject to various risks in financial advisory services and underwriting and sponsorship of securities and there can be no assurance that our financial advisory, underwriting and sponsorship fees can be sustained.

In 2012, 2013 and 2014, the segment revenue and other income of our investment banking business accounted for 16.4%, 10.0% and 9.0% of our total revenue and other income, respectively.

We are subject to certain risks of investment banking business, which are primarily related to the uncertainties in regulatory approvals. The primary offering of securities in the PRC, especially IPOs, and certain types of M&A of listed companies, are subject to a merit-based review and approval process conducted by various regulatory authorities. The result and timing of these reviews are beyond our control and may cause substantial delays to, or the termination of, securities offerings underwritten by us or M&A advised by us. For example, since October 2012, the CSRC has halted its approval of all A share IPO applications in China and, as a result, we did not complete any IPO underwriting and sponsorship transactions in 2013. Although the IPO review resumed in January 2014, there can be no assurance that regulatory approvals on securities offerings and M&A will be granted in a timely manner or at all in the future. A significant decline in the approval rate of the securities offerings underwritten or sponsored by us or M&A advised by us could harm our reputation, erode client confidence and reduce our underwriting, sponsorship and advisory fee income, because we receive most of our fees only after the successful completion of a securities offering or M&A. In addition, since we may be required by our client to underwrite securities offerings on a hard underwriting basis, we would be required to purchase all of the unsubscribed portion for our own account, which may materially and adversely affect our liquidity, and we may even incur losses.

In addition, when acting as a sponsor in securities offerings or a financial advisor for M&A transactions, we may be subject to regulatory sanctions, fines, penalties or other disciplinary actions or other legal liabilities for conducting inadequate due diligence in connection with an offering or the post-transaction compliance supervision, fraud or misconduct committed by issuers, their agents, other sponsors or us, misstatements and omissions in disclosure documents, or other illegal or improper activities that occur during the course of the underwriting or advisory process.

The performance of our investment banking business also depends on market conditions. Adverse market conditions and capital market volatility may also cause delays to, or the termination of, securities offerings underwritten and sponsored by us and M&A advised by us, or may result in fewer financing and M&A activities, which may in turn materially and adversely affect our revenue from the investment banking business.

Furthermore, as the PRC regulatory requirements towards the investment banking business continue to relax, including the reform of the A share IPO system from an approval-based to a registration-based system, securities firms in China are facing increasing challenges in terms of deal execution, client development, pricing and distribution capabilities. If we are unable to adjust our business strategies to meet these new challenges, we may not be able to compete effectively in the securities industry, which could in turn materially adversely affect income from our investment banking business.

A significant decline in the size of our AUM or a poor investment performance may materially and adversely affect our asset management business.

We receive asset management fees based on the asset size of each asset management plan under our management. In addition, we may earn pre-determined performance fees for certain asset management schemes. Investment performance affects our AUM and is one of the most important factors in retaining our clients and competing for new asset management businesses. Limited investment options and hedging strategies in the PRC, as well as market volatility, could negatively affect our ability to provide stable returns for our clients and cause us to lose clients. Poor investment performance could adversely affect our revenue and growth because:

- existing clients might withdraw funds from our asset management business, which would result in lower management fees for us;
- clients may request that we lower our fees for asset management services, particularly in an intensely competitive industry; and
- our performance fees, which are based on a percentage of investment returns, would decline.

Our asset management fees or market share may decrease due to increased competition from insurance companies, fund management companies and other competitors. Market volatility, adverse economic conditions or the failure to outperform our competitors or the market may reduce our AUM or affect the performance of the assets or funds we manage, which could adversely affect the amount of management fees or performance fees received by us.

We contributed our own capital to the subordinated tranche of our certain collective asset management schemes, with a fair value of approximately RMB1.4 billion as of March 31, 2015. Under our agreement with clients, if the investment return on the senior tranche of these schemes falls below our anticipated yield, we are required to compensate our clients for the shortfall up to the amount of our capital contribution to the subordinated tranche of such scheme. We may continue to develop and offer more asset management schemes with similar features to attract customer interest, and therefore we face the risk of losing part or all of our capital contributions to those asset management schemes.

Our investment and trading business is subject to market volatility and the investment decisions that we make.

In 2012, 2013 and 2014, segment revenue and other income from our investment and trading business in the PRC amounted to RMB735.9 million, RMB545.9 million and RMB2,421.4 million, respectively, representing 10.5%, 6.1% and 15.2% of our total revenue and other income, respectively.

We trade equity and fixed-income securities as well as derivative products for our own account. Our equity and fixed income securities are subject to market volatility and, therefore, the results of our securities trading activities generally correlate with the performance of the PRC securities markets. For example, in 2013, our investment and trading business had a loss and negative segment margin, due primarily to the sustained decrease in the market prices of our equity and fixed-income investments as a result of the unfavorable market conditions in the PRC. We use derivative instruments, such as stock index futures, to reduce the impact of price volatility on our equity trading. We also use interest rate swaps to hedge the interest rate exposure that arises from our fixed-income trading. However, the PRC derivatives market currently does not provide sufficient means for us to hedge against volatile trading markets, which may make it difficult for us to reduce our exposure to fluctuations in prices, and the derivatives that we use may not be as effective as we expect for hedging purposes. In addition, derivatives contracts we enter into expose us to the risks associated with these instruments and their underlying assets, which could result in substantial losses. The secondary market for derivatives is volatile and we may be inexperienced in managing new products which may arise in the future or trading derivative instruments.

The performance of our investment and trading business is determined by our investment decisions and judgments based on our assessment of existing and future market conditions. We closely monitor the market value and financial performance of our investment and trading portfolio, and actively adjust such portfolio to allocate assets based on market conditions and internal risk management guidelines. However, our investment decisions are based on human judgments, which involve management discretion and assumptions. If our decision-making process fails to minimize losses effectively while capturing gains, or our forecasts do not conform to actual changes in market conditions, or if concentration risk, including market risk and credit risks from holding particular assets or asset classes materializes, our investment and trading business may not achieve the investment returns we anticipate, and we could suffer material losses, any of which would materially and adversely affect our business, financial condition and results of operations.

We may be exposed to risks associated with our financial assets, which may also be subject to price fluctuations as a result of changes in the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors, which could adversely affect our financial condition and results of operations. While we have internal policies and procedures to limit such occurrences, these policies and procedures may not be fully effective. In addition, we may not have sufficient access to resources and trading counterparties to effectively implement our trading and investment risk mitigation strategies and techniques. If our trading position becomes overly concentrated in a limited set of assets, asset classes, or a limited number of third parties, or if we fail to effectively manage our exposure through our risk management policies and procedures, the volatility of any negative impact of adverse credit exposures could be magnified, and as a result, we may experience significant financial losses that could materially and adversely affect our business, financial condition and results of operations.

In addition, certain classes of our assets, such as our available-for-sale securities and financial assets at fair value through profit or loss, are marked to market. A decline in the value of our available-for-sale securities could result in the recognition of impairment losses if management determines that such decline in value is not temporary or is substantial. This evaluation is a matter of judgment, which includes the assessment of several factors. If our management determines that an asset is impaired, the book value of the asset is adjusted and a corresponding loss is recognized in earnings for the current period. The deterioration in the market value of available-for-sale securities could result in the recognition of impairment loss.

We may fail to realize profits from our private equity investments or lose some or all of the capital invested.

The ability of our private equity funds to dispose of investments is dependent primarily on the equity capital markets. Our private equity funds may sometimes be forced to sell securities at undesirable prices or defer sales, potentially for a considerable period of time. We have made and expect to continue to make significant capital investments in our current and future private equity funds. Contributing capital to these funds is risky, and we may lose some or all of the principal amount of our investments.

In addition, we have limited control over the portfolio companies in which we have invested. We are subject to the risk that our portfolio companies may make business, financial or management decisions with which we do not agree or that the majority shareholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. Furthermore, our portfolio companies may fail to abide by their agreements with us, for which we have limited or no recourse. If any of the foregoing were to occur, the value of our private equity investments could decrease or we may face investment failure, in which case our financial condition, results of operations and cash flow could be adversely affected.

A significant decrease in our internal or external liquidity could negatively affect our business and reduce customer confidence in us.

Maintaining adequate liquidity is crucial to our business operations as we continue to expand our margin financing and securities lending, investment banking, investment and trading, and other business activities with substantial cash requirements. We meet our liquidity needs primarily through cash generated from operating activities and debt financing. A reduction in our liquidity could reduce the confidence of our customers or counterparties in us, which may result in the loss of business and customer accounts. In addition, according to the CSRC's requirements, the ratio between our Net Capital and net assets cannot fall below 40.0%, the ratio between our Net Capital and total liabilities cannot fall below 8.0% and the ratio between our net assets and total liabilities cannot fall below 20.0%. According to the SAC, we are required to keep both our Liquidity Coverage Ratio (ratio of good-quality liquid assets to forecast net cash outflow for the next 30 days) and Net Stable Funding Ratio (ratio of stable funding to weighted stable funding) not less than 80% by December 31, 2014 and not less than 100% by June 30, 2015. As of December 31, 2014, our Liquidity Coverage Ratio and Net Stable Funding Ratio stood at 223.7% and 91.2%, respectively. Failure to comply with such requirements may result in disciplinary actions imposed by the SAC such as regulatory warning, rectification order, industry-wide criticism, public condemnation, or suspension or revocation of business licenses assigned by the SAC. See "Financial Information—Net Capital and Other Regulatory

Requirements." If we fail to meet regulatory liquidity requirements in the PRC, the CSRC may also impose penalties on us or limit the scope of our business, which could, in turn, have a material adverse effect on our financial condition and results of operations.

Factors that may adversely affect our liquidity position include a significant increase in our capital-based intermediary businesses, increased regulatory capital requirements, substantial investments, loss of market or customer confidence or other regulatory changes. When cash generated from our operating activities is not sufficient to meet our liquidity or regulatory capital needs, we must seek external financing. During periods of disruption in the credit and capital markets, potential sources of external financing could be limited and our borrowing costs could increase. Although our management believes that we have diversified sources of external financing, including a mix of short-term and long-term debt financing instruments, such financing may not be available on acceptable terms or at all due to unfavorable market conditions and disruptions in the credit and capital markets.

Our equity financing option is limited due to CSRC requirements on foreign shareholding in a listed PRC securities firm.

According to Article 25 of The Rules for the Formation of Foreign-invested Securities Companies (外資參股證券公司設立規則) prescribed by the CSRC, the aggregate of direct holdings and/or indirect control in the equity interest of a listed PRC-incorporated securities firm by all foreign investors shall not exceed 25% of its total issued share capital. Taking into account (i) the size of the Global Offering (including the exercise of the Over-allotment Option) and (ii) the trading of our A Shares under the Northbound platform of the Shanghai-Hong Kong Stock Connect, our ability to further issue H Shares or other equity or equity-linked securities offshore may be restricted due to the 25% foreign ownership limit unless: (i) the relevant regulatory requirements is relaxed or we are able to obtain a waiver from the regulatory authorities from the strict compliance with the foreign ownership limit; and/or (ii) we issue additional A shares on the Shanghai Stock Exchange.

Our risk management policies and procedures and internal controls, as well as the risk management tools available to us, may not fully protect us against various risks inherent in our business.

Currently, we follow our internal risk management framework and procedures to manage our risk exposures, primarily including market risk, credit risk, liquidity risk, compliance risk and operational risk. Our risk management policies, procedures and internal controls may not be adequate or effective in mitigating our risk exposures or protecting us against unidentified or unanticipated risks. In particular, some methods of managing risks are based upon observed historical market behavior and our experience in the securities industry. These methods may fail to predict future risk exposures, which could be significantly greater than those indicated by our historical measures. Other risk management methods depend upon an evaluation of available information regarding operating and market conditions and other matters, which may not be accurate, complete, up to date or properly evaluated. In addition, in markets that are rapidly developing, the information and experience data that we rely on for our risk management methods may become quickly outdated as markets and regulations continue to evolve. Deficiencies in our risk management and internal control systems and procedures may adversely affect our ability to identify any reporting errors and non-compliance with rules and regulations, which in further have a material adverse effect on our business, financial condition and results of operations.

We face additional risks as we expand our product and service offerings.

We are committed to providing new products and services in order to strengthen our leading market position in the PRC securities industry. We expanded our business to include margin financing and securities lending, securities-backed lending and stock repurchases as well as OTC trading in recent years. These new businesses expose us to additional risks, particularly credit risk. Also see "—We may suffer significant losses from our credit exposures in our capital-based intermediary businesses, futures brokerage business and OTC transactions."

We will continue to expand our product and service offerings as permitted by relevant regulatory authorities, transact with new customers not in our traditional customer base and enter into new markets. These activities expose us to new and increasingly challenging risks, including, but not limited to:

- we may have insufficient experience or expertise in offering new products and services and dealing with new counterparties and customers;
- we may be subject to stricter regulatory scrutiny, increased credit risks, market risks, compliance risks and operational risks;
- we may suffer from reputational concerns arising from dealing with less sophisticated counterparties and customers;
- we may be unable to provide customers with adequate levels of service for our new products and services;
- we may be unable to hire additional qualified personnel to support the offering of a broader range of products and services;
- our new products and services may not be accepted by our customers or meet our profitability expectations;
- we may be unable to obtain sufficient financing from internal and external sources to support our business expansion; and
- we may not be successful in enhancing our risk management capabilities and IT systems to identify and mitigate the risks associated with these new products and services, new customers and new markets.

If we are unable to achieve the intended results with respect to our offering of new products and services, our business, financial condition, results of operations and prospects could be materially and adversely affected.

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

Our exposure to interest rate risk is primarily associated with our interest income, interest expenses and fixed-income investments.

We earn interest income from bank deposits (including our own deposits and customer deposits), margin financing and securities lending, securities-backed lending, stock repurchases and financial assets held under resale agreements. Interest income from these sources is directly linked to the prevailing market interest rates. During periods of declining interest rates, our interest income would generally decrease.

We also make interest payments on deposits we hold on behalf of our customers, short-term commercial papers, corporate bonds and repurchase transactions as well as subordinated bonds and other debt securities. These interest expenses are directly linked to the prevailing market interest rates. During periods of rising interest rates, our interest expenses and financing costs would generally increase.

In addition, we hold fixed-income investments. During periods of rising interest rates, market prices and our investment returns on fixed-income securities will generally decrease.

Significant interest rate fluctuations could reduce our interest income or returns on fixed-income investments, or increase our interest expenses, any of which could adversely affect our financial condition and results of operations.

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

The success of our business is dependent to a large extent on the continuity of our senior management and our ability to attract and retain key personnel who possess in-depth knowledge and understanding of the securities and financial markets. If we lose the services of any member of our senior management, we may not be able to execute our existing business strategy effectively or may have to change our existing business direction, which may materially adversely affect our business prospects. These key personnel include members of our mid-level management, experienced investment and trading managers, risk management officers, research analysts, IT specialists, licensed sponsor representatives and other personnel. Therefore, we devote considerable resources to recruiting and retaining these personnel. However, the market for quality professionals is highly competitive and we face increasing competition in recruiting and retaining these individuals as other securities firms and financial institutions are competing for the same pool of talent. Intense competition may require us to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect our financial condition and results of operations. As a result, we may be unable to attract or retain these personnel to achieve our business objectives and the failure to do so could severely disrupt our business and prospects.

We may pursue acquisitions or joint ventures that could present unforeseen integration obstacles or costs and may not enhance our business as we expect.

We have in the past pursued mergers and acquisitions, joint ventures and other transactions aimed at expanding the geographic scope and scale of our operations. Acquisitions and joint ventures involve a number of risks and present financial, managerial and operational challenges, including potential disruption of our ongoing business and distraction of management, difficulties with integrating IT, financial and human resources systems, hiring additional management and other critical personnel and increasing the scope, geographic diversity and complexity of our operations. For example, we have in the past been involved in regulatory non-compliance incidents due to our failure to timely and properly integrate our IT and communications systems with Huatai United and Xintai Securities which we acquired in 2006 and 2008, respectively. See "Business—Legal and Regulatory—Regulatory Non-compliances."

We may not be able to realize any anticipated benefits or achieve the synergies we expect from these acquisitions or joint ventures; our clients may react unfavorably to our acquisition and joint venture strategy; and we may be exposed to additional liabilities of any acquired business or joint venture. Any of these could materially adversely affect our revenue and results of operations. In addition, future acquisitions or joint ventures may involve the issuance of additional shares of our Company, which may dilute your equity interest in us.

Our overseas expansions may not be successful.

As part of our business strategy, we expect to further expand our overseas business which may expose us to additional risks, including, among others:

- difficulties with managing overseas operations, including complying with the various regulatory and legal requirements of different jurisdictions;
- different approval or license requirements;
- challenges in providing products, services and support in these overseas markets;
- challenges in managing the sales channels and overseas distribution network effectively;
- differences in accounting treatment in different jurisdictions;
- potential adverse tax consequences;
- foreign exchange losses;
- limited protection for intellectual property rights;
- inability to effectively enforce contractual or legal rights;
- changes in local government laws, regulations and policies; and
- local political and economic instability or civil unrest.

If we are unable to effectively avoid or mitigate these risks, our ability to expand our overseas business will be impaired, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our overseas business had a loss in 2014 as a result of the significant start-up expenses incurred by Huatai Financial Holdings in hiring professional talents and servicing offshore bonds. We cannot assure you that our overseas business will become profitable in the near term.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties.

We may be exposed to fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities, as well as adversely affect our reputation.

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. See "Business—Legal and Regulatory—Regulatory Non-compliances." Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. While during the Track Record Period, we did not experience any unauthorized trades or serious trade errors committed by our employees or other misconduct committed by our representatives, agents and customers that had a material adverse effect on our business, financial condition and results of operations, there can be no assurance that fraud or other misconduct will not occur in the future and there can be no assurance that we will detect and prevent such fraud or misconduct. If such fraud or other misconduct does occur, it may cause negative publicity as a result. Our failure to detect and prevent fraud and other misconduct may have a material adverse effect on our business reputation, financial condition and results of operations.

In addition, as there are other financial institutions which carry similar trademarks or corporate names as ours, any negative publicity involving such institutions may adversely reflect on our reputation and business if the market or our clients are unable to distinguish our trademarks or names from theirs.

We may fail to detect money laundering and other illegal or improper activities in our business operations on a timely basis.

We are required to comply with applicable anti-money laundering, and anti-terrorism laws and regulations in China and Hong Kong. These laws and regulations require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require us to, among other things, establish or designate an independent anti-money laundering department, establish a customer identification system in accordance with relevant rules, record the details of customer activities and report suspicious transactions to relevant authorities.

While we have adopted policies and procedures aimed at detecting and preventing the use of our business platforms to facilitate money laundering activities and terrorist acts, such policies and procedures may not completely eliminate instances in which we may be used by other parties to engage in money laundering and other illegal or improper activities. In the event that we fail to fully comply with applicable laws and regulations, the relevant government agencies may freeze our assets or impose fines or other penalties on us. There can be no assurance that there will not be failures in detecting money laundering or other illegal or improper activities which may adversely affect our business reputation, financial condition and results of operations.

We rely heavily on IT systems to process and record our transactions and offer online products and services.

As a pioneer in the PRC securities industry in terms of IT application, our operations rely heavily on the ability of our IT systems to record and process accurately a large number of transactions across numerous and diverse markets and different business segments in a timely manner. Our system for processing securities transactions is highly automated. A prolonged disruption to, or failure of, our information processing or communications systems would limit our ability to process transactions. This would impair our ability to service our customers and execute trades on behalf of customers and for our own account, which could materially and adversely affect our competitiveness, financial condition and results of operations.

The proper functioning of our core IT systems, e-Platform, data processing system, CRM system, mobile apps, risk management and legal and compliance system and other data processing systems, together with the communication networks between our headquarters and branches, are critical to our business and our ability to compete effectively. We have established back-up centers in

Nanjing and Shenzhen to carry on principal functions in the event of a catastrophe or failure of our systems, including those caused by human errors. However, there can be no assurance that our operations will not be materially disrupted if any of our systems fail. In addition, if the capacity of our trading system is unable to process all trading orders when the securities market experiences high volatility, such as the surge in the A share trading volume in the fourth quarter of 2014, we may be subject to client complaints, litigation or adverse effects on our reputation.

The securities industry is characterized by rapidly changing technology. Online trading platforms and mobile apps, are becoming increasingly popular among our customers due to their convenience and user-friendliness. We rely heavily on technology, including our e-Platform, and mobile apps, to provide a wide range of brokerage and wealth management services. However, our technology operations are vulnerable to disruptions from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorized access and other similar events. Disruptions to, or instability of, our technology or external technology that allows our customers to use our online products and services could harm our business and our reputation.

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

We face the risk of operational failure or termination of any of the exchanges, depositaries, clearing agents or other financial intermediaries we use to facilitate our securities transactions. We were not subject to any material operational failure of third parties during the Track Record Period. However, any future operational failure or termination of the particular financial intermediaries that we use could adversely affect our ability to execute transactions, service our customers and manage our exposure to various risks.

In addition, as our interconnectivity with our customers grows, our business also relies heavily on our customers' use of their own systems, such as PC, mobile devices and the websites, and we will increasingly face the risk of operational failure in connection with our customers' systems. The operational failure of third parties may harm our business and reputation.

We may be subject to litigation and regulatory investigations and proceedings and may not always be successful in defending ourselves against such claims or proceedings.

The securities industry faces substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to information disclosure, sales or underwriting practices, product design, fraud and misconduct, as well as protection of personal and confidential information of our customers. We may be subject to arbitration claims and lawsuits in the ordinary course of our business. We may also be subject to inquiries, investigations, and proceedings by regulatory and other governmental agencies. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our reputation. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant. In market downturns, the number of legal claims and amount of damages sought in litigation and regulatory proceedings may increase.

From time to time, we were subject to a number of legal proceedings arising from the ordinary course of our business. See "Business—Legal and Regulatory—Legal Proceedings." A significant judgment or regulatory action against us, or a disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees, would have a material adverse effect on our liquidity, business, financial condition, results of operations and prospects.

A failure to identify and address conflicts of interest appropriately could adversely affect our business.

As we expand the scope of our business and our client base, it is critical for us to be able to address potential conflicts of interest, including situations where two or more interests within our business legitimately exist but are in competition or conflict. See "Business—Risk Management and Internal Control Measures in Our Major Business Lines—Conflicts of Interest."

We have extensive internal control and risk management procedures that are designed to identify and address conflicts of interest. However, appropriately identifying and dealing with potential conflicts of interest is complex and difficult. Our failure to manage conflicts of interest could harm our reputation and erode client confidence in us. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing could adversely affect our business, financial condition and results of operations.

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

We are subject to various laws, regulations and rules governing the protection of the personal data and confidential information of our clients. We routinely transmit and receive personal data and confidential information of our clients through the Internet, by email and other electronic means. Third parties may have the technology or expertise to breach the security of our transaction data and we may not be able to ensure that our vendors, service providers, counterparties or other third parties, have appropriate measures in place to protect the confidentiality of such information. In addition, there is no assurance that our employees who have access to the personal data and confidential information of our clients will not improperly use such data or information. If we fail to protect our clients' personal data and confidential information, the competent authorities may issue sanctions against us and we may have to provide economic compensation for losses arising from such failure. In addition, incidents of mishandling personal information or failure to protect the confidential information of our clients could bring reputational harm to us, which may materially adversely affect our businesses and prospects.

We have not obtained title certificates to some of the properties we own and some of our lessors lack or have not presented to us appropriate title certificates for the properties we lease from them, which may materially adversely affect our right to use such properties.

As of April 30, 2015, we owned 153 properties in the PRC with an aggregate gross floor area of 126,346.4 square meters. Among these 153 properties, we have not obtained proper building ownership certificates and/or land use rights certificates for 42 properties, with a gross floor area of approximately 22,683.6 square meters, representing 18.0% of the aggregate gross floor area of properties we owned. As of April 30, 2015, we leased 262 properties in China, with an aggregate gross floor area of 166,013.8 square meters. Among these 262 properties, we have not been provided by the landlords with the building ownership certificates for 34 properties, with a gross floor area of approximately 19,515.8 square meters, representing approximately 11.8% of the total gross floor area of the buildings we leased. We use these 34 leased properties primarily for offices and branches. See "Business—Properties."

We are in the process of applying for the remaining building ownership certificates and/or land use rights certificates and working with our landlords to obtain the proof of title or to obtain the title certificates, but the timing for obtaining such relevant certificates is beyond our control. Before we or our landlords obtain the proper building ownership certificates and/or the land use rights certificates for such properties, our rights in relation to such properties might not be entirely protected. Any dispute or claim related to the title of the properties owned or leased by us may result in the relocation of our operating premises and offices.

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

The use of our Chinese and English corporate names and Chinese Approved Name by our Company in this prospectus and the use of them in the course of trade or business in Hong Kong may be challenged due to potential third party trademark infringement and passing off claims. We have adopted a different business name and Chinese Approved Name in Hong Kong as a result and we may not be able to benefit from our well-known brand name in the PRC.

Our Company was established in Jiangsu Province, PRC in 1991 and was renamed as 华泰证券有限责任公司 in December 1999 and has since been carrying on business under the names "华泰" and/or "华泰证券" in the PRC. We have been operating in Hong Kong through our wholly-owned subsidiary Huatai Financial Holdings, which, since its incorporation in November 2006 and subsequently licensed with the SFC in April 2007, has been providing a variety of financial services in Hong Kong under its own name. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance under the names 華泰證券股份有限公司/Huatai Securities Co., Ltd. on December 16, 2014. The A Shares of our Company is one of SSE Securities eligible for Northbound trading under the pilot program of Shanghai-Hong Kong Stock Connect (滬港通) traded under the stock name "華泰證券".

We have applied for the registration of certain composite trademarks which include names such as "华泰证券" and "华泰金控" in Hong Kong on July 2, 2014 in Class 35 covering the services of "advertising, business management, business administration, office functions" and Class 36 covering the services of "insurance, financial affairs, monetary affairs, real estate affairs" (the "Initial Trademark Applications"). We have received a Notice of Opinion from the Hong Kong Registrar of Trade Marks (the "Trade Marks Registrar") on December 9, 2014 in which the Trade Marks Registrar has expressed the initial view that the Initial Trademark Applications do not appear to meet the requirements for registration by reason of Section 12(3) of the Trade Marks Ordinance (Cap 559). In particular, the marks, the subject matter of the Initial Trademark Applications are considered to be similar to the prior registrations of (i) "華泰"/"华泰" mark registered and held by Huatai Asset Management Co., Ltd. ("Huatai AM Co"), a PRC company; and (ii) "HKWT 香港華泰控股 and device" mark registered and held by Hong Kong Wah Tai Holdings Limited ("HK Wah Tai Holdings"), a Hong Kong company. The Initial Trademark Applications will be refused unless we make written representations to the Trade Marks Registrar on or before June 9, 2015. Such representations may include submissions that the objections to the Initial Trademark Applications based on Section 12(3) may be overcome by evidence of "honest concurrent use" of the marks. We are in the course of preparing the response to the Trade Marks Registrar, which may be submitted to the Trade Marks Registrar.

In addition, we have received a demand letter from solicitors acting for a Hong Kong incorporated company, Wah Thai Securities Limited (華泰證券有限公司) ("Wah Thai Securities"), on December 29, 2014, alleging that our Initial Trademark Applications and use of any name or mark containing "華泰" (or its Putonghua transliteration "Huatai") by us amount to passing off of their common law rights in the names and marks "華泰", "Wah Tai" and "Wah Thai". We have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 16, 2014 under our English corporate name "Huatai Securities Co., Ltd." and Chinese corporate name "華泰證券股份有限公司". On April 9, 2015, we were served a notice under section 780 of the Companies Ordinance (the "Section 780 Notice") in respect of our Chinese corporate name registered under Part 16 of the Companies Ordinance, which was, in view of the Registrar of Companies, "too like" that of the Chinese name of the local company "華泰證券有限公司" already registered under the Companies Ordinance, Cap 622 or the predecessor Ordinance, Cap 32. We applied for, and the Registrar of Companies approved, "華泰六八八六股份有限公司" as our Chinese corporate name approved pursuant to section 782 of the Companies Ordinance ("Chinese Approved Name"). The Chinese Approved Name was registered with the Registrar of Companies on May 11, 2015. So far as our Company is aware, Wah Thai Securities was incorporated in Hong Kong on June 29, 1990, engages in dealing in securities business as licensed by the SFC and does not have (nor has it claimed to have) any trademark registration for "華泰" .

We have been advised by our counsel, Mr. John M. Y. Yan, S.C., that:

(i) in respect of our pending Initial Trademark Applications, (a) Wah Thai Securities may succeed in any opposition that Wah Thai Securities may file against our applications for registration of the composite trademarks containing "华泰证券" and "华泰金控" in so far as they are sought to be registered in respect of services which are not very different from those in respect of which Wah Thai Securities has used its name "華泰"; and (b) the Trade Mark Registrar may not waive the citations of the earlier trademarks registered and held by Huatai AM Co and/or HK Wah Tai Holdings;

(ii) in respect of the use of "華泰"/"华泰" in our Chinese name and/or "Huatai" in our English name in the course of trade or business in Hong Kong in relation to services identical or similar to the services offered by Wah Thai Securities or Huatai AM Co (through its Hong Kong incorporated subsidiary Huatai Asset Management (Hong Kong) Company Limited (華泰資產管理(香港)有限公司)), such use by our Company and/or Huatai Financial Holdings may be subject to challenges from Wah Thai Securities and/or Huatai AM Co, and such challenges may take the form of claims for (a) trademark infringement, which is only actionable by the owner of a registered trademark (in the case of Huatai AM Co); and/or (b) passing off (in the case of Wah Thai Securities and Huatai AM Co through its subsidiary);

(iii) in respect of the risk of an interlocutory injunction being granted by the Hong Kong courts against any use made by our Company and/or Huatai Financial Holdings of the name or mark "華泰"/"华泰"/"Huatai" and/or any name or mark comprising "華泰"/"华泰"/"Huatai" in the course of trade or business in Hong Kong, whilst the risk cannot be completely ruled out, compelling arguments (if relief is sought by Wah Thai Securities) and strong arguments (if relief is sought by Huatai AM Co) are available to our Company and Huatai Financial Holdings against the granting of such interlocutory injunction. However, should such interlocutory injunction be granted, we and any member of our Group should refrain from carrying on business in Hong Kong under the name or mark comprising "華泰"/"华泰"/"Huatai"; and

(iv) in respect of the stock name "華泰證券" used in the Northbound trading of our A Shares under the Shanghai-Hong Kong Stock Connect (滬港通), being referred to under such stock name under the Shanghai-Hong Kong Stock Connect does not constitute "carrying on business" under section 781 of the Companies Ordinance or "carrying on any activity" by us in Hong Kong for the purpose of any passing off or trade mark infringement claims.

In view of the above, we have adopted the business name "HTSC" and will trade and carry on business in Hong Kong under this business name. By adopting a business name and Chinese Approved Name in Hong Kong that is different from our corporate names, we may not be able to benefit from our well-known brand name in the PRC. Notwithstanding the adoption of a business name "HTSC" in Hong Kong and the taking of steps to minimize the risks arising from potential trademark infringement and/or passing off claims (See "Business—Intellectual Property Rights and Corporate Names" for further details of the mitigating measures to be adopted), there is no guarantee that Wah Thai Securities and/or Huatai AM Co (or its Hong Kong subsidiary) will definitely not make any claim against us. Intellectual property rights litigation can be costly and time-consuming, and could divert our management's attention from business operations. In particular, a complaint letter was filed with the Stock Exchange on May 4, 2015 by solicitors acting for Wah Thai Securities (the "Complaint Letter") expressing "concerns" in relation to, among others, the adequacy of disclosure in the prospectus, our name being referenced for the Northbound trading under the Shanghai-Hong Kong Stock Connect and alleged confusion to the market. Our legal advisers have exchanged correspondences with solicitors acting for Wah Thai Securities addressing these "concerns", which were copied to the Stock Exchange and the SFC. Even though we have taken various measures in good faith to mitigate the risks associated with the use of our corporate names in Hong Kong, we are not able to rule out the possibility that Wah Thai Securities may bring or threaten to bring passing off or other claims or seek interlocutory injunctive relief against us or take or threaten to take other actions during the Global Offering and/or upon our Listing. Notwithstanding the various measures taken by us in good faith to mitigate the risks associated with the use of our corporate name in Hong Kong, we are not able to exert any control or influence over how third parties, including the press and media, refer to us. In addition, should we be held liable for trademark infringement or passing off (as the case may be), our reputation as well as our business, financial condition and results of operations may be materially and adversely affected, and our Company or Huatai Financial Holdings may have to change the corporate name, Chinese Approved Name and/or business name (as the case may be) or in the case of our Company, apply for an approved name in relation to our corporate names pursuant to Section 782 of the Companies Ordinance.

RISKS RELATING TO THE PRC

Economic, political and social conditions in the PRC and government policies could affect our business and prospects.

A substantial majority of our assets are located in the PRC, and a substantial majority of our revenue is derived from our businesses in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, government involvement, level of economic development, growth rate, foreign exchange controls and resources allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may negatively affect us. For example, our financial condition and results of operations may be adversely affected by government policies on the securities markets in China or changes in tax regulations applicable to us. If the business environment in China deteriorates, our business in China may also be materially adversely affected.

The PRC legal system has inherent uncertainties that could limit the legal protection available to you.

PRC laws and regulations govern our operations in China. We and most of our operating subsidiaries are organized under PRC laws. China's legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value unless the Supreme People's Court of the People's Republic of China otherwise provided. Since the late 1970s, China has promulgated laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organization and governance, commerce, taxation and trade.

However, many of these laws and regulations, particularly with respect to the financial services industry, are relatively new and evolving, are subject to different interpretations and may be inconsistently implemented and enforced. In addition, only limited volumes of published court decisions may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation, implementation and enforcement of China's laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to investors, and can adversely affect the value of your investment.

In particular, the PRC financial services industry is highly regulated. Many aspects of our business depend upon the receipt of the relevant government authorities' approvals and permits. As PRC legal system and financial services industry develop, changes in such laws and regulations, or in their interpretation or enforcement, could materially adversely affect our business, financial condition and results of operations.

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

Investments in PRC securities firms are subject to ownership restrictions. Prior approval from the CSRC is required for any person or entity to hold, directly or indirectly, 5% or more of the registered capital or total issued shares of a PRC securities firm. If a shareholder of a PRC securities firm increases its direct and indirect shareholding to 5% or more without obtaining prior approval from the CSRC, such shareholder's voting right is invalid to the extent that it exceeds the 5.0% threshold and the shareholder could be subject to CSRC sanctions, such as the correction of such misconduct, fines and confiscation of any related gains. In addition, our Articles of Association prohibit any entity or individual from directly or indirectly holding more than 5% equity interest in our Company without the approval of the CSRC. If any violation is not rectified in timely manner, any shares that exceed the 5% limit will not carry voting rights during the period of violation. Current ownership restrictions and future changes in ownership restrictions as imposed by the PRC government and our Articles of Association may materially and adversely affect the value of your investment.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors, Supervisors and management.

We are a company incorporated under the laws of the PRC and a substantial majority of our assets and subsidiaries are located in the PRC. In addition, most of our Directors, Supervisors and executive officers reside within the PRC and the assets of our Directors, Supervisors and executive officers are likely to be located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon our Directors, Supervisors and executive officers, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of court judgments with the United States, the United Kingdom, Japan or most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of court judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States, the United Kingdom, Japan or most other western countries in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

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

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares ("**non-PRC resident individual holders**") are subject to PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (關於國税發[1993]045號檔廢止後有關個人所得税徵管問題的通知) (Guo Shui Han [2011] No. 348), dated June 28, 2011, issued by the SAT, the tax rate applicable to dividends paid to non-PRC resident individual holders of H Shares varies from 5.0% to 20.0% (usually 10.0%), depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. For additional information, see "Appendix IV—Taxation and Foreign Exchange—Taxation of Security Holders—PRC Taxation". In addition, under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by the MOF and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. To our knowledge, as of the Latest Practicable Date, in practice the PRC tax authorities have not sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10.0% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company, subject to reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by

Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2008] No. 897), promulgated by the SAT, on November 6, 2008, we intend to withhold tax at 10.0% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. See "Appendix IV—Taxation and Foreign Exchange—Taxation of Security Holders—PRC Taxation." As the EIT Law and its implementation rules are relatively new, there are uncertainties as to their interpretation and implementation by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC resident enterprise holders' investments in H Shares may be materially and adversely affected.

Withholding tax may be imposed on payments on the H Shares.

The United States has enacted rules, commonly referred to as "FATCA," that generally impose a new withholding regime with respect to "withholdable payments", generally U.S. source payments of dividends and interest and, beginning in 2017, gross proceeds from the disposition of property that can produce U.S. source payments, and, in the future, may impose such withholding on "foreign passthru payments" made by a "foreign financial institution" (an "FFI"), unless such FFI complies with certain diligence and reporting requirements. See "Regulatory Environment—The U.S. Foreign Account Tax Compliance Act ("FATCA"). Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether or to what extent payments on the H Shares would be considered foreign passthru payments. Withholding on foreign passthru payments would not be required with respect to payments on the H Shares made before January 1, 2017. The United States has entered into an intergovernmental agreement (an "IGA") with Hong Kong (the "Hong Kong IGA"), and has agreed in substance with the PRC to an IGA (the "PRC IGA"), which potentially modifies the FATCA withholding regime described above. Under the FATCA rules and the IGAs, our Company and its subsidiaries that are treated as FFIs will be subject to the diligence, and reporting obligations under FATCA or an applicable IGA. In order to avoid the withholding regime described above, we and each of our subsidiaries intend to comply with the diligence and reporting requirements under FATCA, which may affect how we structure our operations and the conduct our business. It is not yet clear how the Hong Kong IGA and the PRC IGA will address foreign passthru payments. Prospective investors in the H Shares should consult their tax advisors regarding the potential impact of FATCA, the PRC IGA, the Hong Kong IGA and any non-U.S. legislation implementing FATCA, on their investment in the Shares.

Government control of currency conversion may adversely affect the value of your investments.

Most of our revenue is denominated in Renminbi, which is also our reporting currency. Renminbi is not a freely convertible currency. A portion of our cash may be required to be converted into other currencies, particularly US dollars, in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our Offer Shares.

However, the PRC government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, we might not be able to pay interests to the holders of our Offer Shares in foreign currencies. On the other hand, foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect our ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

Future fluctuations in the value of the Renminbi could have a material adverse effect on our financial condition and results of operations.

While we generate most of our revenue in the PRC, we also offer securities products and services in Hong Kong to overseas customers. A portion of our revenue, expenses and bank borrowings is denominated in Hong Kong dollars and US dollars, although our functional currency is the Renminbi. As a result, fluctuations in exchange rates, particularly between the Renminbi, Hong Kong dollar and US dollar, could affect our profitability and may result in foreign currency exchange losses of our foreign currency-denominated assets and liabilities.

The exchange rate of the Renminbi against the US dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and US dollar, has been based on rates set daily by the PBOC based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of the Renminbi to US dollars was generally stable. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. On June 19, 2010, the PBOC announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. In April 2012, the PBOC enlarged the floating band for the trading price of RMB against the US dollar on the inter-bank spot exchange market to 1.0% around the central parity rate. In March 2014, the PBOC further enlarged the floating band for the trading price of RMB against the US dollar on the inter-bank spot exchange market to 2.0% around the central parity rate. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in further appreciation or depreciation of the Renminbi against the US dollar. There can be no assurance that the Renminbi will not experience significant appreciation or depreciation against the US dollar in the future.

Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk. As a result, any significant increase in the value of the Renminbi against foreign currencies could reduce the value of our foreign currency-denominated revenue and assets.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC may materially and adversely affect our business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus or H1N1 influenza or Ebola virus, may materially and adversely affect our business, financial condition and results of operations. In 2009, there were reports of the occurrence of H1N1 influenza in certain regions of the world, including the PRC and Hong Kong, where we operate business. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect our business. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, H1N1 influenza or other epidemics, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

Our A Shares were listed in China in 2010 and the characteristics of the A share and H share markets may differ.

Our A Shares were listed on the Shanghai Stock Exchange in February 2010. Following the Global Offering, our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be traded on the Hong Kong Stock Exchange. Under current PRC laws and regulations, without approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H share and A share markets. With different trading characteristics, the H share and A share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H share and A share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the prior trading history of our A Shares when evaluating an investment in our H Shares.

There has been no prior public market for our H Shares and the liquidity and market price of our H Shares may be volatile.

Prior to the Global Offering, there has been no public market for our H Shares. The initial issue price range for our H Shares was the result of negotiations between us and the Joint Global Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering. Furthermore, the price and trading volume of our H Shares may be volatile. The following factors may affect the volume and price at which our H Shares will trade:

- actual or anticipated fluctuations in our revenue and results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;

- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of additional H Shares by us or other shareholders.

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

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

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

Future sales or perceived sales of substantial amounts of our H Shares in the public market or the conversion of our A Shares into H Shares could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future.

The market price of our H Shares could decline as a result of substantial future sales of our H Shares or other securities relating to Shares in the public market. Such a decline could also occur with the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could materially and adversely affect the prevailing market price of our H Shares and our ability to raise future capital at a favorable time and price. Our shareholders would experience a dilution in their holdings upon the issuance or sale of additional securities for any purpose.

In addition, subject to the approval of the CSRC or the authorized securities regulatory authorities of the State Council, our A Shares may be transferred to overseas investors and such transferred shares may be listed or traded on an overseas stock exchange provided certain conditions are met and certain procedures are completed. In the event of the conversion of A Shares into H Shares for the listing and trading on the Hong Kong Stock Exchange, we must obtain prior approval from the CSRC and other relevant PRC regulatory authorities and the Hong Kong Stock Exchange. Approvals from holders of our A Shares and H Shares as separate classes are not required for the listing and trading of the converted H Shares. See "Share Capital—Conversion of A Shares into H Shares for Listing and Trading on the Hong Kong Stock Exchange." Conversion of a substantial number of our

A Shares into H Shares, or the perception that such conversion may occur, could materially adversely affect the price of our H Shares.

In addition, assuming the Over-allotment Option is not exercised, 140,000,000 A Shares will be converted into H Shares and transferred to the NSSF in connection with the Global Offering. The NSSF has not entered into any lock-up agreement with us or the Underwriters and would be free to sell its H Shares any time after the Global Offering. This may also materially and adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a time and price favorable to us.

As the Offer Price of our H Shares is higher than our consolidated net tangible book value per share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases.

As the Offer Price of our H Shares is higher than the consolidated net tangible assets per share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible assets of HK$10.95 per H Share (assuming an Offer Price of HK$22.74 per H Share, being the mid-point of the stated Offer Price range, and assuming the Over-allotment Option for the Global Offering is not exercised). Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H Shares may experience further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we issue additional shares in the future to raise additional capital.

Dividends declared in the past may not be indicative of our dividend policy in the future.

In 2012, 2013 and 2014 and the three months ended March 31, 2015, we declared cash dividends of RMB840.0 million, RMB840.0 million, RMB840.0 million and RMB2,800.0 million, respectively. Under the applicable PRC laws, dividends may be paid only out of distributable profits. Distributable profits means, as determined under PRC GAAP or IFRS, whichever is lower, the net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less appropriations to statutory surplus reserve (determined under PRC GAAP) and discretionary surplus reserve (as approved by our shareholders' meeting). As a result, we may not have sufficient profit to enable us to make future dividend distributions to our shareholders, even if one of our financial statements prepared in accordance with PRC GAAP or IFRS indicates that our operations have been profitable.

Certain facts and statistics derived from government and third-party sources contained in this prospectus may not be reliable.

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

Waivers and consents were granted from compliance with certain requirements of the Hong Kong Listing Rules by the Hong Kong Stock Exchange. Shareholders will not have the benefit of the Hong Kong Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Hong Kong Stock Exchange has granted to us, a number of waivers and consents from strict compliance with the Hong Kong Listing Rules. See "Waivers and Consents from Strict Compliance with the Hong Kong Listing Rules" for further details. We cannot assure you that the Hong Kong Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multi-jurisdictional compliance, all of which could materially adversely affect us and our Shareholders.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange.

Following the listing of our A Shares on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, from time to time we publicly release information relating to us on the Shanghai Stock Exchange or other media outlets designated by the Shanghai Stock Exchange. However, the information announced by us in connection with our A Shares is based on regulatory requirements of the securities authorities and market practices in the PRC which are different from those applicable to the Global Offering. Such information does not and will not form a part of this prospectus. As a result, prospective investors in our H Shares are reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this prospectus and the Application Forms. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong with respect to the Global Offering.

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

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

In preparation for the Listing, we have applied to the Stock Exchange for the following waivers and consents from strict compliance with the relevant provisions of the Hong Kong Listing Rules.

MANAGEMENT PRESENCE

Pursuant to Rules 8.12 and 19A.15 of the Hong Kong Listing Rules, our Company must have sufficient management presence in Hong Kong, and this normally means that at least two of our executive Directors must ordinarily reside in Hong Kong. Given that our business operations are principally located, managed and conducted in the PRC and the Group's head office is situated in, and substantially all of the Directors currently reside in, the PRC, we consider that it would be unduly burdensome for us to maintain sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Hong Kong Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Hong Kong Listing Rules, subject to the following conditions to maintain regular and effective communication between the Stock Exchange and us:

1. **Authorized Representatives:** We have appointed Mr. Wu Wanshan and Mr. Jiang Jian as our authorized representatives ("Authorized Representatives") for the purpose of Rule 3.05 of the Hong Kong Listing Rules. They will act as our principal channel of communication with the Stock Exchange. Although Mr. Wu and Mr. Jiang reside in the PRC, they possess valid travel documents and are able to renew such travel documents when they expire in order to visit Hong Kong. The Authorized Representatives will also provide their usual contact details, and each of the Authorized Representatives has confirmed that he will be readily contactable by the Stock Exchange and will be available to meet with the Stock Exchange to discuss any matters within a reasonable period of time upon request of the Stock Exchange;

2. **Directors:** When the Stock Exchange wishes to contact the Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. To enhance communication between the Stock Exchange, our Authorized Representatives and our Directors, we have implemented the following measures: (a) each Director must provide his mobile number, office number, e-mail address and facsimile number to the Authorized Representatives; (b) in the event that a Director expects to travel and/or otherwise be out of office, he will provide the phone number of the place of his accommodation to the Authorized Representatives; and (c) we have provided the mobile number, office number, e-mail address and facsimile number of each Director to the Stock Exchange.

We have one independent non-executive Director (namely Mr. Lee Chi Ming) who is ordinarily resident in Hong Kong and will act as an additional channel of communication between the Stock Exchange and us. Each of the Directors who does not ordinarily reside in Hong Kong possesses valid travel documents and can apply for valid travel documents to visit Hong Kong within a reasonably short period of time. Accordingly, each of the Directors will be able to meet with the Stock Exchange within a reasonable period of time;

3. **Compliance Adviser**: We have appointed Investec Capital Asia Limited as our compliance adviser ("Compliance Adviser") in compliance with Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules, who will provide us with professional advice on continuing obligations under the Hong Kong Listing Rules and act as our additional channel of communication with the Stock Exchange during the period from the Listing Date to the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year immediately after the Listing. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as our principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

We have provided the Stock Exchange with the names, mobile and office telephone numbers, facsimile numbers and e-mail addresses of at least two of the Compliance Adviser's officers who will act as the Compliance Adviser's contact persons between the Stock Exchange and the Company pursuant to Rule 19A.06(4) of the Hong Kong Listing Rules.

Pursuant to Rule 19A.05(2) of the Hong Kong Listing Rules, we shall ensure that the Compliance Adviser retained by us will have access at all times to our Authorized Representatives, our Directors and other officers. We shall also ensure that such persons will promptly provide such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A and Rule 19A.06 of the Hong Kong Listing Rules. We shall ensure that there are adequate and efficient means of communication between our Company, our Authorized Representatives, our Directors and other officers and the Compliance Adviser, and will keep the Compliance Adviser informed of all communications and dealings between us and the Stock Exchange.

COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Hong Kong Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note (1) to Rule 3.28 of the Hong Kong Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

i. a member of the Hong Kong Institute of Chartered Secretaries;

ii. a solicitor or a barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

iii. a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

In assessing the "relevant experience," the Stock Exchange will consider the individual's (i) length of employment with the issuer and other issuers and the roles he/she played, (ii) familiarity with the Hong Kong Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code, (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules, and (iv) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Jiang Jian as one of the joint company secretaries. He has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Hong Kong Listing Rules, and may not be able to solely fulfill the requirements of the Hong Kong Listing Rules. Therefore, we have appointed Ms. Kwong Yin Ping Yvonne, a fellow of the Hong Kong Institute of Chartered Secretaries, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Hong Kong Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Jiang Jian for an initial period of three years from the Listing Date to enable Mr. Jiang Jian to acquire the "relevant experience" under Note (2) to Rule 3.28 of the Hong Kong Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Hong Kong Listing Rules.

Ms. Kwong Yin Ping Yvonne will work closely with Mr. Jiang Jian to jointly discharge the duties and responsibilities as company secretary and assist Mr. Jiang Jian to acquire the relevant experience as required under Rules 3.28 and 8.17 of the Hong Kong Listing Rules. In addition, Mr. Jiang Jian will endeavor to attend relevant trainings and familiarize himself with the Hong Kong Listing Rules and duties required for a company secretary of a PRC issuer listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Hong Kong Listing Rules. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that we engage Ms. Kwong Yin Ping Yvonne, who possesses all the requisite qualifications required under Rule 3.28 of the Hong Kong Listing Rules, to assist Mr. Jiang Jian in discharging his duties as a joint company secretary and in gaining the "relevant experience" as required under Note (2) to Rule 3.28 of the Hong Kong Listing Rules.

Upon the expiration of the initial three-year period, the qualifications of Mr. Jiang Jian will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Hong Kong Listing Rules can be satisfied and whether the need for on-going assistance will continue. In the event Mr. Jiang Jian fulfills all the requirements stipulated at the end of the initial three-year period, the above joint company secretary arrangement would no longer be necessary for our Company.

CLAWBACK MECHANISM UNDER PARAGRAPH 4.2 OF PRACTICE NOTE 18 OF THE LISTING RULES

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, provided the initial allocation of Offer Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-subscription, the Joint Global Coordinators shall apply a clawback mechanism following the closing of the application lists on the following basis:

1. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be

reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 105,000,000 Offer Shares, representing 7.5% of the Offer Shares initially available under the Global Offering;

2. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 140,000,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering; and
3. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 280,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Please also see the section headed “Structure of the Global Offering—The Hong Kong Public Offering—Reallocation” in this prospectus.

ALLOCATION OF H SHARES TO EXISTING PUBLIC HOLDERS OF A SHARES UNDER RULE 10.04 OF AND PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING RULES

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled. The conditions in Rules 10.03(1) and (2) of the Listing Rules are as follows: (i) no securities are offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides that, unless with the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, its consent under Rule 10.04 of and Paragraph 5(2) of Appendix 6 to the Listing Rules to permit the Company to allocate H Shares in the International Offering to existing public holders of A Shares and their close associates on the grounds that:

1. the Global Offering comprises the Hong Kong Public Offering and the International Offering and the International Underwriters will solicit indications of interest from prospective investors in the book-building process of the International Offering;
2. given that the A Shares are listed on the Shanghai Stock Exchange and are eligible stocks under the Shanghai-Hong Kong Stock Connect, we have a wide shareholder base. We do not have any controlling shareholder (as defined under the Listing Rules);
3. it is not intended that any core connected person (as defined under the Listing Rules) of our Company or any close associate (as defined under the Listing Rules) of any such core connected person will participate in the International Offering or otherwise subscribe for or purchase any H Shares of our Company under the Global Offering;
4. no such holder of A Shares or their close associates is in a position to exert any influence over the allocation process in the International Offering; and
5. it is intended that any placing of H Shares to existing public holders of A Shares and their close associates would be at the Offer Price.

The Stock Exchange has granted such waiver and consent subject to the following conditions:

1. each existing holder of A Shares (together with their close associates) to whom the Company may allocate H Shares in the International Offering must hold less than 2% of our issued share capital immediately prior to the Global Offering and must not have board representation in our Company;
2. each such holder of A Shares and their close associates is not, and will not be, a core connected person (as defined under the Listing Rules) of our Company or any close associate (as defined under the Listing Rules) of any such core connected person immediately prior to or after the Global Offering;
3. the proposed placing of H Shares to such holder of A Shares and their close associates will be at the Offer Price;
4. such holders of A Shares and their close associates will be subject to the same book-building and allocation process as other investors in the International Offering and no preferential treatment will be given to them in the allocation of H Shares in the International Offering;
5. allocation to such holders of A Shares and their close associates will not affect our ability to satisfy the public float requirement under Rule 8.08 of the Listing Rules; and
6. relevant information in respect of the allocation to such holders of A Shares and their close associates will be disclosed in the allotment results announcement.

CORNERSTONE INVESTMENT BY ICBC AM

Paragraph 5(1) of Appendix 6 to the Listing Rules states that, without the prior written consent of the Stock Exchange, no allocations will be permitted to "connected clients" of the lead broker or of any distributors.

One of our cornerstone investors is 中國工商銀行股份有限公司–理財計劃代理人 (ICBC Asset Management Scheme Nominee) ("ICBC AM"), which will subscribe for H Shares through certain qualified domestic institutional investors ("QDII Funds"). ICBC AM is the asset management arm of Industrial and Commercial Bank of China Limited, the parent company of ICBC International Capital Limited and ICBC International Securities Limited. As such, ICBC AM is considered as a "connected client" of ICBC International Capital Limited and ICBC International Securities Limited under paragraph 13(7) of Appendix 6 to the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit the Company to allocate H Shares in the International Offering to ICBC AM as a cornerstone investor subject to the satisfaction of certain conditions set out in the Guidance Letter of the Stock Exchange (HKEx-GL75-14).

For further information about the cornerstone investment by ICBC AM, please see the section headed "Cornerstone Investors—Cornerstone Investors—ICBC Asset Management Scheme Nominee" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving our information to the public with regard to the Group. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC APPROVAL

The CSRC issued an approval letter on April 21, 2015 for the Global Offering and our application to list the H Shares on the Stock Exchange. In granting such approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms. No other approvals are required to be obtained for the listing of the H Shares on the Stock Exchange.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 70,000,000 Offer Shares and the International Offering of initially 1,330,000,000 Offer Shares (subject, in each case, to reallocation on the basis as set out in "Structure of the Global Offering"). For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the H Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

OFFER SHARES FULLY UNDERWRITTEN

The listing of our H Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Global Coordinators (for themselves and on behalf of the

Hong Kong Underwriters) agreeing on the Offer Price on or before the Price Determination Date. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around May 22, 2015, subject to the Offer Price being agreed. The International Offering will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement to be entered into.

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) on or before the Price Determination Date, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, see the section headed “Underwriting” in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares” and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

OVER-ALLOTMENT OPTION AND STABILIZATION

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

RESTRICTIONS ON OFFER AND SALE OF H SHARES

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to (i) the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) the H Shares to be converted from A Shares and transferred to NSSF pursuant to the relevant PRC regulations relating to reduction of State-owned shares.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the H Shares to be listed the Stock Exchange pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

COMMENCEMENT OF DEALINGS IN THE H SHARES

Dealings in the H Shares on the Stock Exchange are expected to commence at 9:00 a.m. on June 1, 2015. Except for the A Shares that have been listed on the Shanghai Stock Exchange and our pending application to the Stock Exchange for the listing of, and permission to deal in, the H Shares, no part of our share or loan capital is listed on or dealt in on the Stock Exchange or any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

H SHARE REGISTER AND STAMP DUTY

All Offer Shares will be registered on the H Share register of members of our Company maintained by our H Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Our register of members will also be maintained by us at our legal address in the PRC.

Dealings in the H Shares registered on the H Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the H Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

Unless determined otherwise by the Company, dividends payable in respect of our H Shares will be paid to the Shareholders listed on the H Share register of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of the Company.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

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

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Special Regulations and our Articles of Association;

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

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

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

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as such term is defined in the Hong Kong Listing Rules) of any of the Directors of our Company or an existing Shareholders of our Company or a nominee of any of the foregoing.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the H Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, or the exercise of any rights in relation to, the H Shares.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain Renminbi amounts into Hong Kong dollars and of Renminbi amounts into US dollars at specified rates. Unless indicated otherwise, the translation of Renminbi into Hong Kong dollars and of Renminbi into US dollars, and vice versa, in this prospectus was made at the following rates:

RMB0.7886 to HK$1.00 (being the prevailing exchange rate on May 8, 2015 set by the People's Bank of China)

RMB6.2084 to US$1.00 (being the noon buying rate in the City of New York for cable transfers as certified by the Federal Reserve Bank of New York on May 8, 2015)

No representation is made that any amounts in Renminbi, Hong Kong dollars or US dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one or two decimal places. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. WU Wanshan (吳萬善), *Chairman*	Room 304 Block 11 No.59, Muxuyuan Street Baixia District Nanjing, Jiangsu PRC	Chinese
Mr. ZHOU Yi (周易), *President*	Room 201, Unit 1 No.26 Gulin Road Gulou District Nanjing, Jiangsu PRC	Chinese
Non-executive Directors		
Mr. SUN Lu (孫魯)	Room 1002 No.34 Changjiang Home Apartment Gulou District Nanjing, Jiangsu PRC	Chinese
Mr. WANG Shuhua (王樹華)	Room 603 Unit 2, Block 3 No.108 North Taiping Road Xuanwu District Nanjing, Jiangsu PRC	Chinese
Ms. PU Baoying (浦寶英)	Room 1201 Block 11, Jinmao Garden Gulou District Nanjing, Jiangsu PRC	Chinese
Mr. SUN Hongning (孫宏寧)	Room 102 No.17 Lakeview Garden Xuanwu District Nanjing, Jiangsu PRC	Chinese
Mr. ZHOU Yong (周勇)	Room 505 Block 1 No.112 West Fenghuang Street Gulou District Nanjing, Jiangsu PRC	Chinese
Mr. CAI Biao (蔡標)	Room 706 Unit 4, Block 6 No.26-3, Huowa Xiang Baixia District Nanjing, Jiangsu PRC	Chinese

Name	Address	Nationality
Mr. YING Wenlu (應文祿)	Room 401 Unit 1, Block 2 No.8 Qiujiang Road Gulou District Nanjing PRC	Chinese
Independent non-executive Directors		
Mr. BAI Wei (白維)	No.111, 15/F No. 14 Workers' Stadium North Road Chaoyang District Beijing PRC	Chinese
Mr. SHEN Kunrong (沈坤榮)	Room 201 Block 5, Dazhong New Village Xuanwu District Nanjing, Jiangsu PRC	Chinese
Mr. LIU Hongzhong (劉紅忠)	Room 401 No.40, Lane 289 Jinian Road Shanghai PRC	Chinese
Ms. ZHANG Jie (張捷)	Block 5-3, Jiahulvdao No.9 West Jiahu Road Jiangning Development Zone Nanjing PRC	Chinese
Mr. LEE Chi Ming (李志明)	Block B, 13/F Flat 03 10 Broadwood Road Happy Valley Hong Kong	Chinese Hong Kong

SUPERVISORS

Name	Address	Nationality
Mr. YU Yimin (余亦民), *Chairman*	Room 401 No.45 Block 13 Youfu New Village Baixia District Nanjing, Jiangsu PRC	Chinese
Mr. GAO Xu (高旭)	Room 201 No.5 Guling Road Gulou District Nanjing, Jiangsu PRC	Chinese
Mr. DU Wenyi (杜文毅)	Room 706 Block 66 Ruijinbeicun Baixia District Nanjing, Jiangsu PRC	Chinese
Mr. SONG Weibin (宋衛斌)	Room 206 Block 5 No. 56-1 Yudao Street Nanjing, Jiangsu PRC	Chinese
Mr. MAO Huipeng (毛慧鵬)	Room 403 Block 14 No.2 Shiyang Road Baixia District Nanjing, Jiangsu PRC	Chinese
Ms. DONG Junzheng (董軍政)	No.3 Sanlihe South 3rd Alley Xicheng District Beijing PRC	Chinese
Ms. PENG Min (彭敏)	Room 102 Block 9 No.69-1 Beijing West Road Gulou District Nanjing, Jiangsu PRC	Chinese
Mr. ZHOU Xiang (周翔)	Room 2803 Block 3 Dashazhu Alley Baixia District Nanjing, Jiangsu PRC	Chinese
Mr. ZHANG Hui (張輝)	No.53 Daguaibang Hutong Xicheng District Beijing PRC	Chinese

Further information is disclosed in the section headed "Directors, Supervisors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Huatai Financial Holdings (Hong Kong) Limited** Room 5808-12, 58/F, The Center 99 Queen's Road Central Hong Kong
	J.P. Morgan Securities (Far East) Limited 28/F, Chater House 8 Connaught Road Central Central Hong Kong
	UBS Securities Hong Kong Limited 42/F, One Exchange Square 8 Connaught Place Central Hong Kong
Joint Global Coordinators	**Huatai Financial Holdings (Hong Kong) Limited** Room 5808-12, 58/F, The Center 99 Queen's Road Central Hong Kong
	J.P. Morgan Securities (Asia Pacific) Limited 28/F, Chater House 8 Connaught Road Central Central Hong Kong
	UBS AG Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	ICBC International Capital Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square 8 Connaught Place Central Hong Kong

Joint Bookrunners	**Huatai Financial Holdings (Hong Kong) Limited** Room 5808-12, 58/F, The Center 99 Queen's Road Central Hong Kong
	J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering) 28/F, Chater House 8 Connaught Road Central Central Hong Kong
	J.P. Morgan Securities plc (in relation to the International Offering) 25 Bank Street Canary Wharf London E14 5JP United Kingdom
	UBS AG Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	ICBC International Capital Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square 8 Connaught Place Central Hong Kong
	Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering) Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering)
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen’s Road Central
Hong Kong

Citigroup Global Markets Asia Limited
(in relation to the Hong Kong Public Offering)
50/F, Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

Citigroup Global Markets Limited
(in relation to the International Offering)
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Nomura International (Hong Kong) Limited
30/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

ABCI Capital Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Industrial Securities (Hong Kong) Capital Limited
30/F, AIA Central
1 Connaught Road Central
Hong Kong

Joint Lead Managers

Huatai Financial Holdings (Hong Kong) Limited
Room 5808-12, 58/F, The Center
99 Queen's Road Central
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
(in relation to the Hong Kong Public Offering)
28/F, Chater House
8 Connaught Road Central
Central
Hong Kong

J.P. Morgan Securities plc
(in relation to the International Offering)
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

BNP Paribas Securities (Asia) Limited
59/F-63/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
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Central
Hong Kong

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Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

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(in relation to the Hong Kong Public Offering)
Level 46, International Commerce Centre
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Kowloon
Hong Kong

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(in relation to the International Offering)
25 Cabot Square
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London E14 4QA
United Kingdom

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Citigroup Global Markets Asia Limited
(in relation to the Hong Kong Public Offering)
50/F, Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

Citigroup Global Markets Limited
(in relation to the International Offering)
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Nomura International (Hong Kong) Limited
30/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Industrial Securities (Hong Kong) Capital Limited
30/F, AIA Central
1 Connaught Road Central
Hong Kong

Legal Advisers to our Company

As to Hong Kong and United States laws
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law
King & Wood Mallesons
20th Floor, East Tower,
World Financial Center,
1 Dongsanhuan Zhonglu,
Chaoyang District
Beijing
PRC

Legal Advisers to the Underwriters

As to Hong Kong and United States laws
Simpson Thacher & Bartlett
ICBC Tower, 35/F
3 Garden Road
Central
Hong Kong

As to PRC law
Commerce & Finance Law Offices
6/F, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing PRC

Reporting Accountants	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Compliance Adviser	**Investec Capital Asia Limited** 3609, 36/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Receiving Banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong **Standard Chartered Bank (Hong Kong) Limited** 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong **Bank of Communications Co., Ltd. Hong Kong Branch** 20 Pedder Street, Central Hong Kong

Registered Office	No. 90 East Zhongshan Road, Nanjing, Jiangsu Province, PRC
Headquarters and Principal Place of Business in the PRC	No. 228 Middle Jiangdong Road, Nanjing, Jiangsu Province, PRC
Principal Place of Business in Hong Kong	4201, 42/F, The Center, 99 Queen's Road Central, Hong Kong
Company Website	www.htsc.com.cn *(information contained in this website does not form part of this prospectus)*
Joint Company Secretaries	Mr. Jiang Jian (姜健) 11/F, No. 228 Middle Jiangdong Road Nanjing, Jiangsu Province PRC Ms. Kwong Yin Ping Yvonne (FCIS, FCS) 18/F, Tesbury Centre 28 Queen's Road East Wan Chai Hong Kong
Authorized Representatives	Mr. Wu Wanshan (吳萬善) Mr. Jiang Jian (姜健)
Development Strategy Committee	Mr. Wu Wanshan (吳萬善) *(Chairman)* Mr. Zhou Yi (周易) Mr. Wang Shuhua (王樹華) Mr. Shen Kunrong (沈坤榮)
Compliance and Risk Management Committee	Mr. Sun Lu (孫魯) *(Chairman)* Mr. Cai Biao (蔡標) Mr. Zhou Yong (周勇) Mr. Ying Wenlu (應文祿)
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This section contains information and statistics on the industry in which we operate. We have extracted and derived such information and statistics, in part, from various official and publicly available sources. In addition to statistics, market share information and industry data from publicly available government sources, certain information and data contained in this section is derived from Wind Info. As a leading integrated service provider of financial data, information and software in the PRC domestic market, Wind Info serves financial enterprises, including securities companies, fund management companies, insurance companies, banks and investment companies. The financial database of Wind Info contains comprehensive information on stocks, bonds, futures, foreign exchange, insurance, derivatives and the macro-economy. Historical data provided by Wind Info are collected by Wind Info independently from various public information sources, including, among others, the SAC, the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The information and data derived from Wind Info are not commissioned by us or the Joint Sponsors and can be accessed by all of its subscribers.

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OVERVIEW OF THE PRC ECONOMY

After the rapid growth in the past 30 years, the PRC economy has entered into a "new normal" stage and is expected to maintain a moderate pace of growth. The PRC economic structure will be further optimized and upgraded and economic growth will be driven by the service industry and domestic consumption. As a result, the PRC economy will transform from the production investment-driven model into an innovation-driven model. In addition, the PRC government has streamlined its administration procedures, leading to a relaxation in government restrictions, which has boosted the PRC economy.

Under this "new normal", the PRC government is putting great emphasis on promoting cooperation among different regions and countries. The expansion of the domestic free trade zones, in particular the Shanghai Free-Trade Zone, are expected to provide new momentum to the regional economic development. The PRC government aims to open its market further by introducing the New Silk Road Economic Zone (新絲綢之路經濟帶), which will link China with Europe through Central and Western Asia, and the 21st Century Maritime Silk Road (21世紀海上絲綢之路), which will connect China with Southeast Asia, Africa and Europe. This strategy is believed to create the driving force needed for the PRC's future economic growth. The collaborative development of Beijing-Tianjin-Hebei, the establishment of Yangtze River Delta Economic Zone and the economic cooperation of Pan-Pearl River Delta also lay a solid foundation for the sustainable growth of the PRC's economy. The "new normal" PRC economy is expected to provide a new growth opportunity for the PRC capital markets.

OVERVIEW OF THE PRC CAPITAL MARKETS

The establishment of the multi-tiered capital markets

According to Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Markets (國務院關於進一步促進資本市場健康發展的若干意見) promulgated on May 8, 2014, by 2020, the PRC is expected to establish a multi-tiered capital markets system with a sound structure and comprehensive functions. The opinions provide strategic direction for the development and further promote the reform of the PRC's capital markets.

Stock market

Driven by the significant economic development of the PRC, the rapid growth in household income and the steady increase in demand for financing, the PRC stock market has grown substantially in scale and maturity during the past 20 years. According to the Shanghai Stock Exchange and the Shenzhen Stock Exchange, the total number of companies listed on these two stock exchanges increased from 2,063 at the end of 2010 to 2,613 at the end of 2014. The total market capitalization of listed companies on these two stock exchanges increased from RMB21.5 trillion at the end of 2011 to RMB37.3 trillion at the end of 2014. The PRC stock market ranked second in the world both in terms of total market capitalization as of December 31, 2014 and in terms of total trading volume in 2014. According to Wind Info, as of December 31, 2012, 2013 and 2014, the CSI 300 Index in the PRC stock market was 2,523.0 points, 2,330.0 points and 3,533.7 points, respectively. According to the CSRC, in 2012, 2013 and 2014, the combined average daily trading volume of the these two stock exchanges was RMB129.5 billion, RMB196.9 billion and RMB303.6 billion, respectively.

The PRC stock market has developed a multi-tiered structure consisting of the main board, the SME Board, the ChiNext Board, the NEEQ and regional equity exchanges. In 2013, the NEEQ expanded its coverage nationwide to provide share transfer and issuance to non-listed joint stock companies, offering more opportunities for medium, small and micro enterprises to participate in the capital markets. The number of companies listed on the NEEQ has increased from 356 as of December 31, 2013 to 1,572 as of December 31, 2014. As of December 31, 2014, there were 33 regional equity exchanges with more than 4,200 companies listed. The number of enterprises listed in the OTC market exceeds the combined number of companies listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange. However, the OTC market is expected to be further developed in terms of market size, scope of services and resources integration.

Bond market

In recent years, the PRC bond market for corporate issuers has developed rapidly. The types of fixed income securities have been increasing since 2005. Short-term commercial papers, corporate bonds and medium-term notes have been introduced to the bond market in 2005, 2007 and 2008, respectively. At the same time, the approval procedures for enterprise bonds have been streamlined. The launch of privately-raised bonds for medium, small and micro-enterprises in 2012 provided alternative sources of financing for SMEs in China. The following table sets out the amount of proceeds raised by PRC enterprises through certain major types of bond issuance for the periods indicated:

	2010	2011	2012	2013	2014	CAGR 2010-2014
	(RMB in billions)	(RMB in billions)	(RMB in billions)	(RMB in billions)	(RMB in billions)	(%)
Short-term commercial papers	689.2	1,012.2	1,422.2	1,613.5	2,185.0	33.4
Medium-term notes	497.1	733.6	855.9	697.9	978.1	18.4
Enterprise bonds	282.7	248.5	649.9	475.2	697.2	25.3
Corporate bonds	51.2	129.1	262.3	170.5	130.8	26.5
Total	**1,520.1**	**2,123.5**	**3,190.4**	**2,957.0**	**3,991.1**	**27.3**

Source: Wind Info

In January 15, 2015, the CSRC issued the Administrative Measures for the Issuance and Trading of Corporate Bonds, which expanded the scope of eligible bond issuers and bond trading markets as well as simplified approval procedures. These measures stipulate that the public issuance of corporate bonds requires regulatory approval and the private placement of corporate bonds requires only regulatory filing.

Funds market

The PRC funds market has experienced significant growth in recent years driven by the favorable regulatory environment and accumulation of personal wealth. According to the Asset Management Association of China, as of December 31, 2014, the mutual fund managed by fund management companies amounted to RMB4.5 trillion and the scale of business of fund management companies and their subsidiaries amounted to RMB5.9 trillion. The Measures for the Registration of Privately-raised Investment Funds Managers and Filing of Funds (Trial Implementation) became effective on February 7, 2014, which stipulates the procedures and requirements for the registration of privately-raised investment fund managers and filing of privately-raised funds. As a result, the privately-raised fund market in the PRC has been standardized and the scale of the market has expanded. As of December 31, 2014, 4,955 privately-raised fund managers have registered with the Asset Management Association of China, and the assets managed by privately-raised fund management companies amounted to RMB2.1 trillion.

Derivatives market

Since being established in the 1990s, the PRC derivatives market has experienced significant growth. Currently, the PRC derivatives market available for securities firms consists primarily of commodity futures, financial futures and interest rate swaps. According to the China Futures Association, the total trading volume in PRC commodity futures increased from RMB93.8 trillion in 2011 to RMB128.0 trillion in 2014. In terms of the market size, China has been one of the largest commodity futures markets in the world. Stock index futures recorded a rapid growth since its launch in the PRC in April 2010. The total trading volume of stock index futures increased from RMB43.8 trillion in 2011 to RMB163.1 trillion in 2014, representing a CAGR of 55.1%. According to the CSRC, the total trading volume of treasury bond futures amounted to 878.5 billion in 2014. On January 9, 2015, the Shanghai Stock Exchange 50 ETF option was launched, which is expected to further expand the PRC derivatives market.

Development trends of PRC capital markets

The structure of the PRC capital markets continues to be optimized

Despite rapid growth, the PRC capital markets are still under development compared with those of major developed countries. In 2014, the PRC's securitization ratio (total market capitalization of domestically listed companies divided by nominal GDP) amounted to 58.5%, far behind the securitization ratio of 151.2% in the United States. The proportion of direct financing in the PRC remains low. According to the PBOC, bank borrowings in the PRC amounted to RMB10.2 trillion in 2014, representing 61.4% of the total amount of financing in China (including amounts raised through equity issuance, bond issuance and bank borrowing), while bank borrowing in the United States for the same period amounted to US$758 billion, representing only 18.8% of the total amount of financing. Despite the multi-tiered capital markets in the PRC, the connection between each market tier is yet to be strengthened. For example, the mechanism for transfer of listing to another board has not been formed, and the interbank bond market and exchange-traded bond market are under different regulatory regimes with limited connectivity.

Financing structure is becoming disintermediated

With the advancement of a market-based interest rates regime, financial disintermediation is accelerating. Driven by the reforms on financial regulation and debt restructuring of local governments, the PRC's financing structure has been transforming from indirect financing to direct financing primarily using equity and debt securities and asset-backed securitization. The following table sets out the total size of direct financing and indirect financing in the PRC in 2011 and 2014:

	2011		2014	
	(RMB in trillions)	%	(RMB in trillions)	%
Direct[(1)] financing	3.4	31.6	6.4	38.6
Indirect financing	7.3	68.4	10.2	61.4
Total	**10.6**	**100.0**	**16.5**	**100.0**

Sources: PBOC, Wind Info, Securities Industry and Financial Markets Association, World Federation of Exchanges, U.S. Federal Reserve Board

(1) Direct financing includes equity and bond offering. Equity offering includes IPO and follow-on offerings. Bond offering includes corporate bonds, enterprise bonds, financial bonds other than policy-bank bonds, short-term commercial papers, medium-term notes, asset-backed securities, convertible bonds, warrant bonds and exchangeable bonds, but exclude debt issuance by various governmental authorities.

Market participants are becoming increasingly diversified

Individual investors have been the primary participants in the PRC capital markets. According to the Shanghai Stock Exchange, between 2009 and 2013, trading by individual investors accounted for an average of 83.3% of the total trading volume. Nonetheless, as the PRC capital markets develop, participation of professional and institutional investors has increased. The percentage of trading volume by professional institutional investors increased from 10.8% in 2009 to 15.3% in 2013, and institutional client base has become increasingly diverse which includes securities firms, public and private funds, social security funds, corporate annuity, insurance funds, trusts, asset management and QFII. As a result, the PRC capital markets are expected to become more sophisticated.

The PRC capital markets are becoming internationalized

As the internationalization of the Renminbi has accelerated, the improved circulation and convertibility of Renminbi under capital accounts continues to promote the opening up of the PRC capital markets.

In 2014, the Shanghai-Hong Kong Stock Connect program has strengthened the financial connection between Hong Kong and mainland China, attracting more foreign investors to China and more Chinese investors to the international markets. Also, the increased trading activities are expected to close the gap between the PRC and Hong Kong standards and regulations. In addition, the value and number of foreign IPOs, dim-sum bond issuances and cross-border M&As by PRC corporations are increasing.

THE DEVELOPMENT STATUS OF THE PRC SECURITIES INDUSTRY

The PRC securities industry has entered into a stage of strategic development with significant opportunities in recent years due to the rapid growth of multi-tiered capital markets in the PRC.

According to the SAC, there were 120 registered securities firms in the PRC as of December 31, 2014. The total assets, net assets and Net Capital of all securities firms in the PRC amounted to RMB4.1 trillion, RMB920.5 billion and RMB679.2 billion, respectively, as of December 31, 2014. The return on equity of the PRC securities industry has increased from 4.7% in 2012 to 10.5% in 2014. The leverage ratio of the PRC securities industry has increased from 2.5 times in 2012 to 4.4 times in 2014.

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

- *Brokerage, sales and trading*: the regulatory authorities allowed securities firms to provide online account opening services and custody of fund assets, promoted the establishment of "light-touch branches" and introduced new businesses, including sales of financial products, margin financing and securities lending and securities-backed lending. According to Wind Info, the trading volume of stocks and funds increased from RMB42.7 trillion in 2011 to RMB76.0 trillion in 2014. The balance of margin loans and securities lent increased from RMB38.2 billion as of December 31, 2011 to RMB1,025.7 billion as of December 31, 2014, representing a CAGR of 199.4%.
- *Investment banking*: the CSRC started a new round of reform on the A share IPO system in December 2013, representing a major step towards a registration-based IPO system. The issuance of favorable policies is expected to contribute to the growth of M&As in the PRC. The NEEQ was expanded and a new trading system was introduced. New financing instruments, such as preferred shares, perpetual bonds and exchangeable bonds, were introduced in 2014. According to Wind Info, the total amount of equity financing in the PRC increased from RMB701.9 billion in 2011 to RMB771.8 billion in 2014, and the

amount of corporate bonds and enterprise bonds underwritten increased from RMB377.7 billion in 2011 to RMB828.0 billion in 2014. According to Dealogic, the total value of M&A transactions in the PRC reached US$283.6 billion in 2014 from US$137.5 billion in 2011.

- *Asset management*: the scope of asset management investment was expanded and the relevant limitations and restrictions on asset management business were lifted. The pre-issuance approval requirement for asset management schemes has been changed to a post-issuance filing requirement. Pursuant to the Administrative Provisions on the Asset Securitization Business of Securities Companies and Subsidiaries of Fund Management Companies promulgated by the CSRC in 2014, the scope for managers of asset securitization business has been expanded from securities firms to fund management subsidiaries, and the scope of underlying assets that can be securitized should be managed according to the negative list issued by the Asset Management Association of China. The asset management business of PRC securities firms has grown substantially in recent years. According to the SAC, the total amount of capital under asset management plans increased from RMB148.3 billion in 2009 to RMB8.0 trillion in 2014.

- *Securities investments and trading*: according to the relevant rules promulgated by the CSRC in 2011, the permitted investment scope for securities firms' proprietary trading business has been substantially expanded to include securities traded on the exchanges, the OTC market and the interbank market, as well as financial products of commercial banks and trust schemes. With the launch of stock index futures, treasury bond futures and stock options, trading strategies and investment instruments available for PRC securities firms have become more diverse. The introduction of market-making services for ETF, stock options and shares listed on the NEEQ enhances the trading functions of securities firms and strengths their liquidity risk management capabilities.

Intense competition exists in the PRC securities industry. Securities firms also face different levels of cross-industry and cross-business competition with other institutions in the PRC financial market.

- The securities market in the PRC is not concentrated. In terms of revenue, the top five PRC securities firms accounted for 28.7% of the industry's aggregate revenue in the PRC in 2014. Therefore, competition among the securities firms has been, and is likely to, remain intense.

- In addition to competition within the securities industry, competition with other financial institutions also exists in various business lines. For instance, in terms of asset management business, securities firms compete with banks, insurance companies and trust companies. They also face intense competition from commercial banks in the debt underwriting business. With the development of Internet finance, securities firms will also face intense competition from Internet companies with online finance business. As the PRC securities industry is expected to open up to financial institutions, including commercial banks, in the future, cross-business competition brings new challenges to all the business lines of securities firms, which is believed to intensify market competition as well as promote the transformation and innovation of both their products and their business.

DEVELOPMENT TRENDS OF THE PRC SECURITIES INDUSTRY

The "new normal" in PRC capital markets is leading to larger strategic growth potential for securities firms

Since the establishment of Shanghai Stock Exchange and Shenzhen Stock Exchange in 1990, the market mechanism of the PRC capital markets has improved gradually. In recent years, the capital markets have played an important role in various key aspects, including the development of medium, small and micro-enterprises engaging in innovative business and venture capital, the development of new technology, products, industries, greater efficiency in resources integration and allocation, the mitigation of financial risks, and the reduction of financing costs. As a result, the capital markets industry has entered into a "new normal" featuring multi-tiered development, a more balanced mix of investment and financing, expanded scope and coverage, strengthened risk management and mitigation capabilities, and, mostly importantly, the rapid development of direct financing.

Following the implementation of a filing system for offering securitized assets, an approval system for the public issuance of corporate bonds, and a filing system for private placements and the expected launch of a registration-based IPO system, the direct financing market now has substantial opportunities for market-oriented development and expansion. With the liberalization of interest rates, the proportions of securities, funds and insurance products in household assets allocation have increased significantly.

Driven by the economic transformation and rapid growth of the PRC capital markets, demand for specialized financial services, such as financing, investment, M&A, sales transactions, wealth management, assets pricing and risk management, has increased significantly, which is expected to generate significant opportunities for the strategic development of the securities industry.

Increasing financing demand is driving rapid growth of capital-based intermediary businesses

As the investors' demand for financing and liquidity increases, the PRC securities industry has begun to offer capital-based intermediary services which utilize securities firms' capital to facilitate trading, investments, or financing. Products under capital-based intermediary businesses have become increasingly diverse in the PRC securities industry.

Equity capital-based intermediary businesses mainly include margin financing and securities lending, stock repurchase, securities-backed lending, equity return swaps, market-making for the NEEQ and ETF options. These businesses are growing rapidly and have become the most important growth driver of securities firms. In 2014, the total income from margin financing and securities lending of the industry amounted to approximately RMB45.0 billion, representing 18.0% of the total income of the securities industry, which is the third largest income contributor in the PRC. Total market value of pledged equities held by securities firms increased from RMB234.0 billion in 2013 to RMB705.2 billion in 2014. The launch of the market-making business of bonds and structured notes has also promoted the development of the fixed-income capital-based intermediary businesses.

The Internet finance accelerates the transformation of securities firms' operating and management model

Driven by the Internet finance, securities firms are transforming their businesses from a traditional fee-based model to a diversified model focusing on capital, customers, professional services and internet-based services.

The fee-based business is increasingly standardized and the operation of such business has become increasingly centralized. There has been an increasing number of securities firms bringing their business online and centralizing their middle- and back-offices in order to streamline operation, reduce service costs, and enhance the overall operating efficiency. By collecting and analyzing large volume of data, securities firms are able to evaluate their customers' needs in order to enhance customers' experience and attract new customers. This in turn enables them to provide an extensive choice of products and services through their Internet platforms.

Securities firms centralize customized services to their branches with the aim of enhancing their integrated services capabilities. High net-worth individual and institutional investors' demand for professional services, in particular, advisory services on wealth management, has increased as standardized products can no longer satisfy their needs. As a result, securities firms will need to meet customers' demands for financial products by delivering customized services through branch network and standardized services through online platform.

The synergy of domestic and foreign resources has given PRC securities firms opportunities to develop cross-border businesses

The accelerated internationalization of the Renminbi and the further opening up of the capital markets are expected to reinforce PRC capital markets' leading position in the emerging economies. The launch of Shanghai-Hong Kong Stock Connect in November 2014 is expected to strengthen connectivity between PRC and Hong Kong capital markets by allowing eligible investors to trade on both Shanghai Stock Exchange and Hong Kong Stock Exchange. PRC companies are seeking business development through overseas listing and financing, outbound investment and cross-border mergers and acquisitions.

PRC securities firms with overseas platforms will benefit from the immense growth opportunities. In recent years, PRC securities firms have been expanding offshore businesses and establishing overseas platforms through organic growth and acquisitions. As of December 31, 2013, 22 PRC securities firms had Hong Kong-based subsidiaries to offer overseas services.

The regulatory transition in the securities industry provides favorable policies to further innovation

In May 2014, the CSRC released The Opinions on Further Promoting the Innovative Development of Securities Service Providers, which set out the major tasks and specific measures to promote the innovation of securities firms from three aspects:

- To establish modern investment banks. The opinions support securities firms to enhance their comprehensive financial service capabilities, consolidate their basic functions and broaden their financing channels, so as to establish modern investment banks with international competitiveness and influential brand recognition and to become systemically important.
- To support product and service innovation. The opinions encourage securities firms to steadily conduct derivatives business and proactively develop their OTC business, and support the development of their asset management business and innovation in financing business.

- To promote regulatory transformation. Regulatory transformation refers to the transformation from pre-event approval to concurrent and post-event supervision. This regulatory transition also focuses on deepening the reform of the examination and approval system and relaxing market entry requirements.

These opinions provide the strategic direction for further development of the securities industry, furnish the innovative development of the securities industry with favorable policies and promote the advanced market-oriented regulatory transition.

COMPETITIVE LANDSCAPE IN THE PRC SECURITIES INDUSTRY

There were 120 registered securities firms in the PRC as of December 31, 2014. The following table sets out the total assets, net assets, total revenue, net profit and Net Capital of the top ten PRC securities firms (in term of total assets) as of December 31, 2014:

Top Ten Securities Firms (Consolidated basis) (Based on total assets)	**Total assets**	**Net assets**	**Total revenue**	**Net profit**	**Net capital**
			(RMB in millions)		
CITIC Securities Co., Ltd.	479,626	101,131	29,198	11,861	44,319
Haitong Securities Co., Ltd.	352,622	72,264	17,978	8,119	37,110
Guotai Junan Securities Co., Ltd.	319,302	47,299	17,882	7,172	28,822
Huatai Securities Co., Ltd.	272,226	41,944	12,062	4,540	19,728
GF Securities Co., Ltd.	240,100	41,377	13,395	5,146	32,664
China Merchants Securities Co., Ltd.	193,408	41,596	11,002	3,885	25,449
China Galaxy Securities Co., Ltd.	180,026	29,336	11,412	3,790	25,462
Guosen Securities Co., Ltd.	161,352	32,783	11,792	4,943	22,357
Shenwan Hongyuan Group Co., Ltd.	139,452	22,659	8,657	3,504	21,228
China Securities Co., Ltd.	123,406	16,728	8,587	3,398	15,025
Total	**2,461,522**	**447,119**	**141,966**	**56,358**	**272,166**

Source: Wind Info

Brokerage Businesses

Brokerage businesses primarily facilitate customer trading in stocks, funds, bonds and other securities. In 2014, the stocks and funds trading volume of the top ten securities firms accounted for 48.6% of the industry's total trading volume. The following table sets forth the brokerage trading volume on a bilateral basis and market share of stocks and funds of the top ten PRC securities firms in 2014:

(RMB in billions)	**Huatai Securities Co., Ltd.(1)**	**CITIC Securities Co., Ltd.(2)**	**China Galaxy Securities Co., Ltd.**	**Guotai Junan Securities Co., Ltd.**	**Haitong Securities Co., Ltd.**	**GF Securities Co., Ltd.**	**China Merchants Securities Co., Ltd.**	**Guosen Securities Co., Ltd.**	**China Securities Co., Ltd.**	**Shenyin &Wanguo Securities Co., Ltd.**
Trading volume in stocks and funds(3)	12,404.0	10,282.2	7,895.4	7,790.5	7,512.0	6,782.7	6,689.7	5,997.5	5,406.5	5,353.9
Market share	7.9%	6.6%	5.0%	5.0%	4.8%	4.3%	4.3%	3.8%	3.4%	3.4%

Sources: Wind Info

(1) on a consolidated basis.

(2) the stocks and funds trading volume of CITIC Securities Co., Ltd. represents combined stocks and funds trading volume of CITIC Securities Co., Ltd., CITIC Securities (Zhejiang) and CITIC Securities (Shandong).

(3) calculated on a bilateral basis.

Capital-based Intermediary Businesses

Capital-based intermediary businesses primarily comprise margin financing and securities lending, securities-backed lending and stock repurchases. The following table sets forth the balance of margin loans and securities lent and the market share of the top ten PRC securities firms as of December 31, 2014:

(RMB in billions)	CITIC Securities Co., Ltd.[(1)]	Huatai Securities Co., Ltd.	Guotai Junan Securities Co., Ltd.	GF Securities Co., Ltd.	China Galaxy Securities Co., Ltd.	China Merchants Securities Co., Ltd.	Haitong Securities Co., Ltd.	Guosen Securities Co., Ltd.	Shenyin &Wanguo Securities Co., Ltd.	Everbright Securities Co., Ltd.
Balance of margin loans and securities lent . .	72.1	65.5	64.4	64.4	60.3	57.8	57.2	49.8	42.6	37.5
Market share	7.0%	6.4%	6.3%	6.3%	5.9%	5.6%	5.6%	4.9%	4.2%	3.7%

Note:

(1) the balance of margin loans and securities lent of CITIC Securities Co., Ltd. represents combined balance of margin loans and securities lent of CITIC Securities Co., Ltd., CITIC Securities (Zhejiang) and CITIC Securities (Shandong).

Sources: Wind Info

Investment Banking Businesses

The investment banking businesses primarily comprise financial advisory, equity underwriting and debt underwriting. The investment banking market in the PRC is relatively concentrated. The following table sets forth the key information relating to M&A transactions advised by the top ten PRC securities firms (based on number of transactions) as of December 31, 2014:

	Huatai Securities Co., Ltd.	Southwest Securities Co., Ltd	GF Securities Co., Ltd.	CITIC Securities Co., Ltd.	China Securities Co., Ltd.	Guotai Junan Securities Co., Ltd.	Guosen Securities Co., Ltd.	Sinolink Securities Co., Ltd.	Haitong Securities Co., Ltd.	Greatwall Securities Co., Ltd.
Number of transactions	32	30	23	22	21	18	17	17	13	12
Transaction value (RMB in billions) .	90.9	59.1	22.4	48.7	51.7	123.9	30.8	13.2	135.7	89.1
Market share of transaction value . .	8.4%	5.5%	2.1%	4.5%	4.8%	11.5%	2.9%	1.2%	12.6%	8.3%

Source: Wind Info

According to Wind Info, the total amount of equity underwritten by PRC securities firms in 2014 amounted to RMB531.6 billion, of which the top ten securities firms accounted for 52.4%. Equity underwriting services mainly comprise IPOs, placements, rights issues and convertible bonds. The following table sets forth the key information relating to equity underwritten by the top ten PRC securities firms (based on number of transactions) in 2014:

Securities Firms	China Securities Co., Ltd.	GF Securities Co., Ltd.	CITIC Securities Co., Ltd.	Huatai Securities Co., Ltd.	Guosen Securities Co., Ltd.	Haitong Securities Co., Ltd.	Southwest Securities Co., Ltd.	Guotai Junan Securities Co., Ltd.	China Merchants Securities Co., Ltd.	Sinolink Securities Co., Ltd.
Number of transactions	33	31	29	25	24	24	21	20	19	16
Amount underwritten (RMB in billions) . . .	45.3	30.1	33.3	25.2	25.2	32.2	24.3	24.8	19.8	12.0
Market share of amount underwritten	8.5%	5.7%	6.3%	4.7%	4.7%	6.1%	4.6%	4.7%	3.7%	2.3%

Sources: Wind Info

The following table sets forth the key information relating to debt underwritten by the top ten PRC securities firms (based on number of transactions) in 2014:

	CITIC Securities Co., Ltd.	China Securities Co., Ltd.	Guotai Junan Securities Co., Ltd.	China Development Bank Securities Co., Ltd.	Guosen Securities Co., Ltd.	China International Capital Corporation Limited	China Merchants Securities Co., Ltd.	GF Securities Co., Ltd.	China Galaxy Securities Co., Ltd.	Huatai Securities Co., Ltd.
Numbers of transactions . . .	267	139	139	128	93	83	81	70	66	63
Amount underwritten (RMB in billions)	342.7	128.8	123.8	182.5	71.7	109.4	74.6	97.2	91.6	73.2
Market share of amount underwritten . .	5.3%	2.0%	1.9%	2.8%	1.1%	1.7%	1.2%	1.5%	1.4%	1.1%

Sources: Wind Info

Asset Management Business

In recent years, the PRC securities industry's asset management business has experienced significant growth with an increasingly high market concentration. According to the Asset Management Association of China, in 2014, the top three PRC asset managers were CITIC Securities Co., Ltd., Guotai Junan Securities Co., Ltd., and Huafu Securities Co., Ltd., in terms of the AUM of PRC securities-firm asset management business. As of December 31, 2014, the total AUM of PRC securities firms amounted to RMB8.0 trillion and the top ten securities firms accounted for 45.4% of the total market share.

According to the Asset Management Association of China, as of December 31, 2014, in terms of the AUM of collective asset management schemes, the top ten securities firms accounted for 54.8%. In 2014, in terms of the AUM of collective asset management schemes, the top three PRC securities firms are CITIC Securities Co., Ltd., Huatai Securities Co., Ltd., and GF Securities Co., Ltd.

THE COMPETITIVE FACTORS OF THE PRC SECURITIES INDUSTRY IN THE FUTURE

We believe that securities firms with the following capabilities will stand out during the transformation of the PRC securities industry:

- **Differentiated development capabilities.** Differentiated development capabilities of securities firms refer to the abilities to acquire sustainable profits through specialized development in terms of strategy, products and services, target customers and market. It is critical for securities firms to shift away from homogeneous products and services to enhance core competitiveness.

- **Online and offline platforms integration capabilities.** Responding to the development of Internet finance, securities firms are beginning to focus on the integration of both standardized services, through online platform, and customized services, through branch networks.

- **Financial innovation capabilities based on customers' needs.** In order to meet the needs for customized financial services, securities firms need to offer innovative and competitive product and services.

- **Strong business collaboration and cross-selling capabilities.** Enhancing business collaboration across business lines is essential to ensure the competitiveness. Securities firms will be able to expand customer base and increase customer loyalty by fully understanding customers' comprehensive needs and providing holistic suite of products and services accordingly.
- **Strong financing capabilities.** To meet the growth demand for customer financing and improve capital structure, securities firms will rely on a combination of equity and debt securities offerings, asset management schemes and asset-backed securitization to enhance profitability and reduce financing costs.
- **Prudent and effective risk control system.** As the development of innovative business accelerates, securities firms face increasing challenges in managing risks, including liquidity risk, credit risk, market risk, operational risk and compliance risk. As a result, securities firms are expected to establish comprehensive and dynamic risk management systems to ensure effective risk control.
- **International expansion.** As the PRC capital markets continue to develop, securities firms are expected to establish overseas subsidiaries by organic growth and acquisitions and leverage domestic and overseas resources to achieve synergistic growth. A well-established international business will be critical in competing in increasingly integrated capital markets.

REGULATORY ENVIRONMENT OF THE PRC

Overview

The Company is a securities company in the PRC and is primarily engaged in the business of securities, futures, funds and direct investments. The Company is subject to the regulations of the CSRC and other authorities. The securities, futures, fund and direct investment business of the Company is subject to the applicable regulations of the PRC in the areas of industry entry, business regulation, corporate governance and risk control. Our operations are also subject to other general regulations of the PRC, including laws, rules, regulations and other statutory documents in respect of foreign exchange control, taxation and anti-money laundering.

Major Regulatory Authorities and Self-regulatory Organizations

The operations of the Company are mainly supervised and regulated by the following authorities in the PRC:

CSRC

The CSRC is authorized by the State Council to supervise and manage the securities and futures markets of the PRC so as to maintain orderly and lawful operation of the markets in accordance with the relevant laws and regulations. According to the Securities Law of the People's Republic of China (《中華人民共和國證券法》) (the "Securities Law") (amended on August 31, 2014 with immediate effect) and the Futures Trading Regulations (《期貨交易管理條例》) (amended on October 24, 2012 and which took effect from December 1, 2012), the main duties of the CSRC include: to formulate the regulations and rules in relation to the supervision and regulation of the securities and futures markets and to exercise the right of examination, approval or verification according to law; to supervise and regulate the issuance, listing, trading, registration, deposit and settlement of securities and the listing, trading, settlement and delivery of futures and related activities; to supervise and regulate the securities activities of securities issuers, listing companies, securities companies, securities investment fund management companies, securities services organizations, stock exchanges and securities registration and settlement organizations; and to supervise and regulate futures activities of market participants, including futures exchanges, futures companies, other futures business institutions, futures clearing members, futures margin security depository management companies, futures margin depository banks settlement houses and so forth; to determine and supervise the qualification standards and practice codes of participants in securities and futures businesses; to supervise the disclosure of information in relation to the issuance, listing and trading of securities and information on futures trading; to regulate and supervise the activities of the SAC; to investigate activities in violation of laws and administrative regulations in relation to the securities and futures markets and impose penalties; and to perform other duties stipulated in the applicable laws and administrative regulations.

Stock Exchange

According to the Securities Law, a stock exchange is a self-regulatory legal entity which provides venues and facilities for the centralized trading of securities and organizes and supervises the trading of securities. Shanghai Stock Exchange and Shenzhen Stock Exchange are the two major stock exchanges in the PRC. According to the Securities Law and the Measures for the Administration of Stock Exchange (《證券交易所管理辦法》) effective from December 12, 2001, the main duties of a stock exchange are as follows: to provide venues and facilities for the trading of securities; to formulate the rules of the stock exchanges; to accept applications for, and to arrange, the listing of securities; to organize and supervise the trading of securities; to supervise its members; to supervise listed companies; to establish securities registration and settlement facilities; to manage and disclose market information; to handle suspension and resumption of listing and delisting of shares and bonds issued by listed companies; to implement contingent measures in case of emergency, including suspending trading on technical grounds and deciding to impose a temporary trading halt; and to perform other duties authorized by the CSRC.

Futures Exchange

Under the Futures Trading Regulations (《期貨交易管理條例》), a futures exchange is a non-profit self-regulatory legal entity which provides venues and facilities for the centralized trading of futures and organizes and supervises the trading of futures. The main duties of a futures exchange are as follows: to provide venues, facilities and services for trading; to standardize futures trading contracts and to arrange the listing of futures trading contracts; to organize and supervise the trading, clearing and settlement of futures; to provide centralized guarantees for contract performance in futures trading; to supervise and manage its members in accordance with its articles of association and trading rules; and to perform other duties as specified by the futures supervision and management authorities of the State Council. According to the Measures for the Administration of Futures Exchanges (《期貨交易所管理辦法》) effective from April 15, 2007, a futures exchange shall also fulfill the following duties: to enact and implement its trading rules and implementing regulations; to disclose market information; to regulate its members and their clients, recognized settlement houses, futures margin depository banks and the futures businesses of other participants in the futures market; and to investigate non-compliance and impose penalties.

The Securities Association of China (SAC)

According to the Securities Law and the Regulations on the Registration and Management of Social Organizations (《社會團體登記管理條例》) effective from October 25, 1998, the SAC is a self-regulatory organization of the securities industry and is a non-profit public legal entity. It is subject to the guidance and regulation of the CSRC and the Ministry of Civil Affairs of the PRC. The SAC regulates the securities industry through a general meeting of members, which are primarily securities companies. The main duties of the SAC include the formulation of rules for its members and the monitoring and investigation of the conduct of its members.

China Futures Association (CFA)

Pursuant to the Administration Regulations on Futures Trading (《期貨交易管理條例》), the CFA is a self-regulatory organization of the futures industry and is a non-profit public legal entity. The CFA is subject to the guidance and management of the CSRC and the Ministry of Civil Affairs of the PRC. The main duties of the CFA include the formulation of rules for its members, the supervision and investigation of the conduct of its members and the formulation of codes of conduct and business rules for the futures industry.

Asset Management Association of China (AMAC)

Pursuant to the Securities Investment Funds Law (《證券投資基金法》) effective from June 1, 2013, the Asset Management Association is a self-regulatory organization of the securities investment fund industry and is a public legal entity. Its main duties include the formulation and implementation of self-regulatory rules, the supervision and investigation of the practices of its members, regulation of the industry, the resolution of disputes between members and between members and investors, as well as the formulation of codes of practice and business rules.

Other Industry Organizations

Other major industry organizations include The People's Bank of China (PBOC), State Administration of Foreign Exchange (SAFE), China Securities Depository and Clearing Corporation Limited, China Securities Investor Protection Fund Corporation Limited, China Futures Margin Monitoring Center Co., Ltd., China Financial Futures Exchange, National Association of Financial Market Institutional Investors, China Insurance Regulatory Commission, National Equities Exchange and Quotations Company Limited and China Securities Finance Corporation Limited.

Industry Entry

Industry Entry of Securities Companies

1. Establishment

The Securities Law and the Regulations on Supervision and Administration of Securities Companies (《證券公司監督管理條例》) effective from June 1, 2008 and amended on July 29, 2014, explicitly set out the scope of business, industry entry standards, organizations, business rules of securities companies and other requirements. The establishment of a securities company shall be approved by the CSRC by issuing a business license on the following conditions: its articles of association shall comply with the laws and administrative regulations; its major shareholders shall have sustainable profitability, a good reputation and no record of major violation of laws or regulations in last three years and shall have net assets of no less than RMB200 million; it shall have the necessary registered capital required by the Securities Law. For a securities company operating securities brokerage, securities investment consultation and financial advisory business in relation to securities trading and securities investment, the minimum registered capital shall be RMB50 million; for companies operating one of the areas of securities underwriting and sponsorship, proprietary securities trading, securities asset management or other securities businesses, the minimum registered capital shall be RMB100 million; for companies operating two or more of the areas of securities underwriting and sponsorship, proprietary securities trading, securities asset management or other securities businesses, the minimum registered capital shall be RMB500 million; its directors, supervisors and senior management shall have the required qualifications while other personnel involved in the securities business shall possess proper professional qualifications, and no less than three of the senior officers shall have served as senior officers for no less than two years in the securities industry; it shall have effective risk management and internal control systems; it shall have proper premises and facilities for operation; it shall fulfill other conditions stipulated by laws, administrative rules and the CSRC.

According to the Judging Criteria and Guidelines on Controlling Relationships of Securities Companies (《關於證券公司控制關係的認定標準及相關指導意見》) promulgated in March 2008, the same unit or individual, or units or individuals under *de facto* common control of the same unit or individual, shall not hold equity interests in more than two securities companies and shall not hold controlling interests in more than one securities company.

The Rules for the Formation of Foreign-invested Securities Companies (《外資參股證券公司設立規則》) promulgated by CSRC (as amended on October 11, 2012 with immediate effect) (the "Foreign-invested Securities Companies Rules") stipulate the conditions and procedures for the formation of foreign-invested securities companies. A foreign-invested securities company is subject to the following conditions: the aggregate direct and/or indirect equity and interest of foreign shareholders in a foreign-invested securities company shall not exceed 49%; foreign investors who lawfully acquire 5% or more of the shares in a listed domestic securities company through securities trading on a stock exchange or jointly acquire 5% or more of the shares in a listed domestic securities company with others by agreement and other arrangement shall be approved by the CSRC; and the direct and/or indirect equity interest of a single foreign investor in a listed domestic securities company shall not exceed 20%. The aggregate direct and/or indirect equity interest of foreign investors in a listed domestic securities company shall not exceed 25%. The Foreign-invested Securities Companies Rules do not prescribe any legal consequence should foreign ownership in a listed domestic securities company exceed 25%.

Following the Global Offering (assuming the exercise in full of the Over-allotment Option), the H Shares then in issue (excluding the H Shares to be converted and transferred to NSSF which shall not be counted towards shares held by foreign investors) will represent approximately 22.33% of our enlarged issued share capital. In addition, our A Shares may be traded by investors in Hong Kong under the pilot program of Shanghai-Hong Kong Stock Connect. As of the Latest Practicable Date, the A Shares held by investors through the Northbound trading represent approximately 0.51% of our existing issued share capital and will represent approximately 0.41% of our enlarged issued share capital following the Global Offering (assuming the exercise in full of the Over-allotment Option and no change in position of Northbound trading in the A Shares since the Latest Practicable Date). We will closely monitor the movement in trading volume of the A Shares held by foreign investors and the H Shares held by domestic investors (if applicable) to assess whether the 25% foreign ownership limit is complied with. We will promptly communicate and discuss with the CSRC if we become aware that our H Shares held by foreign investors have come close to or exceeded 25% of our issued share capital.

In addition, according to the Guidelines on Examination and Approval of the Administrative Licensing of Securities Companies No.10—Increase and Change in Equity Interest of Securities Companies (《證券公司行政許可審核工作指引第10號 — 證券公司增資擴股和股權變更》) promulgated on September 19, 2010, if a company directly or indirectly owned by a foreign investor invests in a securities company, the equity interest of the foreign investor in the securities company, based on the effective equity holding, shall not be more than 5%.

2. Business Scope

According to the Securities Law, a securities company can conduct the following businesses with approval from the CSRC: securities brokerage; securities investment consultation; financial advisory in relation to securities trading and securities investment; securities underwriting and sponsorship; proprietary securities trading; securities asset management; and other securities businesses.

According to the Regulations on the Examination and Approval of the Scope of Business of Securities Companies (Provisional) (《證券公司業務範圍審批暫行規定》) effective from December 1, 2008, securities companies under common control of an entity or individual or securities companies with control relationship shall not engage in the same business, unless effective measures are in place for division of operation regions or client bases and there is no competition between the companies. Unless otherwise approved by the CSRC, the scope of business of a securities company shall be approved by the CSRC upon its establishment in accordance with the statutory requirements and no more than four types of business shall be approved. A securities company shall obtain approval from the CSRC for any change in its scope of business, and no more than two additional types of business can be applied for. Subject to approval by the CSRC, a securities company may operate businesses not prohibited by the Securities Law, the Regulations on Supervision and Management of Securities Companies (《證券公司監督管理條例》) and the rules and regulations of the CSRC.

3. Material Changes

According to the Securities Law and the Regulations on Supervision and Administration of Securities Companies (《證券公司監督管理條例》), approval from the CSRC shall be obtained for the establishment, acquisition or de-registration of a branch of a securities company, change of the scope of business or registered capital, change of any shareholder(s) holding more than 5% of the shares or *de facto* controller(s), change of important provisions of the articles of association of the company, merger, division, change of incorporation, cessation, dissolution and bankruptcy or the establishment, acquisition or equity participation in securities institutions overseas by securities companies or other material changes.

The CSRC has gradually authorized its local branches to approve some applications for material changes by securities companies. In October 2012, according to the Decision of the State Council in Relation to the Cancellation and Adjustment of the Sixth Group of Items Requiring Administrative Approval (《國務院關於第六批取消和調整行政審批項目的決定》) effective from September 23, 2012, the approval authority of the following material changes of securities companies was formally delegated to local branches of the CSRC: change of important provisions of the articles of association of the company; establishment, acquisition or de-registration of a branch; change of registered capital, including the approval of the qualification of shareholder(s) or the *de facto* controller(s), or the change of *de facto* controller(s), controlling shareholder(s) or shareholder(s) with the largest shareholding of an unlisted securities company in connection with an increase in its registered capital, and approval of a reduction of registered capital by an unlisted securities company; change of shareholder(s) with more than 5% of shareholdings and *de facto* controller(s) of an unlisted securities company; and increase and decrease in the business of securities brokerage, securities investment consultation and financial advisory in relation to securities trading and securities investment, proprietary securities trading, securities asset management and securities underwriting.

According to the Decision of the State Council on Cancellation and Delegation of Certain Administrative Examination and Approval Items (《國務院關於取消和下放一批行政審批項目的決定》) issued on January 28, 2014 with immediate effect, the CSRC cancelled the approval requirements for the following three matters: borrowing of subordinated debts by securities companies, annual foreign exchange risk exposure of licensed overseas futures companies, and special investment of securities companies.

According to the Decision of the State Council on Cancellation and Adjustment of Certain Administrative Examination and Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) issued on November 24, 2014 with immediate effect, the CSRC cancelled the approval requirements for the following five matters: reorganization of securities companies and extension of the reorganization period, administration measures of margin and securities refinancing mutual funds, business rules of margin and securities refinancing, rules and regulations of margin financing and securities lending business of securities companies, the borrowing, issuance, payment and settlement of subordinated debts by institutions engaging in securities-related businesses.

4. Establishment of Subsidiaries, Branches and Securities Business Units

According to the Regulations on Formation of Subsidiaries of Securities Companies (Provisional) (《證券公司設立子公司試行規定》) amended on October 11, 2012 with immediate effect, subject to the approval of the CSRC, securities companies may establish wholly-owned subsidiaries and invest jointly in the establishment of subsidiaries with other investors who meet the requirements for shareholders of securities companies stipulated in the Securities Law. A securities company and its subsidiaries, or subsidiaries under the control of the same securities company, shall not operate similar businesses having conflicts of interest or which are in competition.

Pursuant to the Regulatory Requirements on Branches of Securities Companies (《證券公司分支機構監管規定》) effective from March 15, 2013, branches of a securities company refer to branches and securities operation units established by such securities company in the PRC for business operation. The establishment, acquisition and de-registration of branches of securities companies are subject to the approval from securities regulatory authorities under the CSRC. Securities companies shall meet the following requirements in order to establish or acquire branches: have a sound governance structure and effective internal management and be able to control the risks of their existing branches and the branches to be established; have risk control indicators in compliance with relevant rules for the previous year and those indicators remain in compliance after the additional branches are established; have not received any administrative or criminal penalties for any material breach of rules or regulations for the past two years and have not had any material regulatory measures imposed on them for the previous year, and are not subject to any investigation for any branch-related activities based on any alleged material breach of rules or regulations; have a secure and stable information technology system and no material information technology incident has occurred during the previous year; and existing branches are under effective management.

Entry Requirements for Futures Companies

1. Establishment

According to the Administrative Regulations on Futures Trading (《期貨交易管理條例》) and the Administrative Measures for Futures Companies (《期貨公司監督管理辦法》) (effective from October 29, 2014), the establishment of futures companies shall be approved by the CSRC subject to the following conditions: the minimum registered capital shall be RMB30 million; directors, supervisors and senior management shall be qualified for their positions while practitioners shall have futures practice qualifications; the number of staff with futures practice qualifications shall not be less than 15; the number of senior management staff with practice qualifications shall not be less than three; the articles of association of the company shall comply with the requirements of laws and administrative regulations; major shareholders and the *de facto* controller shall have sustainable profitability, a good reputation, and shall not have a record of material violation of laws or regulations in the past three years; premises and operation facilities shall be up to standard; and risk management and internal control systems shall be satisfactory; and other conditions as stipulated by the CSRC.

According to the Provisions on Issues Relating to the Regulation of Controlling Interests and Equity Interests in Futures Companies (《關於規範控股、參股期貨公司有關問題的規定》) effective from

June 1, 2008, an entity shall not hold controlling interests and equity interests in more than two futures companies and shall not hold controlling interests in more than one futures company.

2. Material Changes

According to the Administrative Measures for Futures Companies (《期貨公司監督管理辦法》), approval of the CSRC shall be obtained for changes of shareholdings in any of the following situations: change of controlling shareholders or the largest shareholder; shareholding of an individual shareholder or an associated shareholder to be increased to 100%; and shareholding of an individual shareholder or the aggregate shareholding of associated shareholders to be increased to 5% or above, which involves foreign shareholders.

Save as aforesaid, an approval from the local branch office of the CSRC where the company is located shall be obtained if the shareholding of an individual shareholder or the aggregate shareholding of associated shareholders in futures companies is to be increased to 5% or above.

In accordance with the Decisions on the Cancellation and Adjustment of Various Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) issued by the State Council which took effect from November 24, 2014, the establishment of domestic branches by futures companies is no longer subject to administrative approval of a local branch of the CSRC.

Industry Entry Requirements for Direct Investment Company

Establishment

According to the Notice on the Further Regulation on the Direct Investment Business of Securities Companies by the Institution Department of the CSRC (《中國證監會機構部關於進一步完善證券公司直接投資業務監管的通知》) promulgated on October 26, 2012, the establishment of a direct investment subsidiary of a securities company is subject to the following requirements: it shall maintain a sound corporate governance structure, a comprehensive and effective internal control system, good risk control mechanisms and compliance management system to avoid the transfer of risks and conflicts of interest with the direct investment subsidiary; its risk control indicators have been in compliance with the relevant rules for the most recent year and the indicators (including Net Capital indicator) shall remain compliant after the establishment of the direct investment subsidiaries; and it shall not be subject to criminal or administrative penalties for any material breach of rules or regulations in the past two years; no material regulatory measures were imposed in the most recent year; and no current investigation is being undertaken for any alleged material breach of rules or regulations by regulatory and other authorities.

In order to establish direct investment subsidiaries, a securities company shall have explicit provision for the establishment of direct investment subsidiaries in its articles of association in connection with investment and apply to the local branch office of the CSRC for amendment of the articles of association. Direct investment subsidiaries shall only be established after the relevant approval has been obtained.

Scope of Business

Pursuant to the Rules for Direct Investment Business of Securities Companies (《證券公司直接投資業務規範》) amended on January 3, 2014 with immediate effect, a direct investment subsidiary may engage in the following businesses: investment in the shareholdings of enterprises, or investment in debts, or in other investment funds associated with equity and debt investment with its own funds or via the establishment of direct investment funds; provision of financial advisory services on equity investment and debt investment; other businesses as approved by the CSRC; direct investment subsidiaries are not allowed to engage in securities business conducted by securities companies.

Industry Entry Requirements for Asset Management Business

Qualification

Pursuant to the Administrative Measures for the Client Asset Management Business of Securities Companies (《證券公司客戶資產管理業務管理辦法》) amended on June 26, 2013 with immediate effect, to engage in the client asset management business, the securities companies shall file applications with the CSRC for the qualifications to conduct the client asset management business. Securities companies without the qualification for client asset management business may not engage in the client asset management business. The securities companies with the qualifications for client asset management business may conduct the targeted asset management business. To conduct the specialized asset management business, they shall submit applications to the CSRC item by item.

Scope of Business

Subject to the Administrative Measures for the Client Asset Management Business of Securities Companies, a securities company may engage in the following client asset management business: operating targeted asset management business for a single client; operating collective asset management business for multiple clients; and operating specialized asset management business for clients.

Regulation of Operations of Securities Companies

We are primarily engaged in securities and related business, including, but not limited to, securities brokerage, futures brokerage, agency sales of financial products, sales of securities investment funds, margin financing and securities lending, refinancing business, securities investment consultancy, securities underwriting and sponsorship, corporate bonds underwriting, host brokerage in the national equities exchanges and quotations system, regional equity trading market business, securities assets management, direct investment, proprietary trading, stock index futures, over-the-counter market business and interbank bonds market in China.

Securities Brokerage

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

- it shall have a sound management system for securities brokerage business;
- it shall objectively indicate its business qualifications, service responsibility, scope and other information of its securities brokerage business;
- it shall have a sound client management and service system for the securities brokerage business and strengthen the education of investors and protect the legitimate rights and interests of clients;

- it shall have a sound management system and rational performance appraisal system for securities brokers to regulate their behavior;
- it shall have a management system for its securities business department to ensure law-abiding, stable and safe operation;
- it shall establish and manage the information systems for client accounts, client deposits, nominee trading, nominee clearing and settlement, securities depository, transaction risk monitoring etc., and shall establish a central storage for the above business data;
- if an employee or a practitioner of a securities company violates laws, administrative regulations, provisions stipulated by regulatory agencies and other administrative departments, self-regulatory rules or regulations stipulated by securities companies for securities brokerage business, it shall hold the employee or practitioner accountable; and
- if it or its securities business department violates the above provision, the CSRC and its local branch office will take such measures as demand for rectification, regulatory interview, issuance of caution letter, temporarily suspending license-related approvals, punishment of related personnel, suspending approval of new businesses, limiting business activities and other regulatory measures. Any violation of laws and regulations will be punished in accordance with the law. If a crime was committed during the event, the company or department will be submitted to the proper judicial organization for prosecution.

Futures Brokerage

The Administrative Regulations on Futures Trading (《期貨交易管理條例》) set out a licensing system that applies to the business of futures companies. The CSRC is responsible for the issuance of licenses according to the types of business of commodity futures and financial futures. Apart from domestic futures brokerage business, futures companies may also apply to conduct business of overseas futures brokerage, futures investment consulting and other futures business as specified by the CSRC. Futures trading shall strictly comply with the deposits system. A futures company shall trade futures for its clients who shall be solely liable for the transaction. The futures company shall comply with the Company Law of the People's Republic of China and satisfy the conditions set out below:

- its registered capital shall not be less than RMB30 million;
- its directors, supervisors and senior management shall have the relevant qualifications and its practitioners shall have the qualifications for futures business;
- it shall have articles of association in accordance with the applicable laws and administrative regulations;
- its substantial shareholders and *de facto* controllers shall have sustainable profitability and a good reputation with no records of material violation and non-compliance for the most recent three years;
- it shall have proper operating premises and business facilities;
- it shall have a sound risk management and internal control system;
- it shall satisfy other conditions stipulated by the futures regulatory authorities of the State Council.

Agency Sale of Financial Products

According to the Administrative Provisions on the Agency Sale of Financial Products by Securities Companies (《證券公司代銷金融產品管理規定》) promulgated on November 12, 2012 with immediate effect, a securities company shall obtain relevant qualifications to carry out the agency sale of financial products. Its personnel engaging in the agency sale of financial products shall obtain the relevant qualifications. A securities company shall centralize the regulation of agency sale of financial products and examine the eligibility of the client before the agency sale of financial products. The information given on the financial products shall be comprehensive, fair and accurate. A securities company is also required to set up a client feedback system.

Sales of Securities Investments Funds

According to the Management Measures on Sales of Securities Investment Funds (《證券投資基金銷售管理辦法》) effective from June 1, 2013, staff participating in the fund distribution business, such as promoters and maintenance technicians of information management platforms, shall obtain qualification to conduct fund distribution business. Fund distribution entities shall set up a comprehensive management system of fund holder accounts and capital accounts, an optimal system of fund depository and withdrawal procedures and authorization for fund holders, and a monitoring system for fund distribution.

Margin Financing and Securities Lending

According to the Management Measures on Margin Financing and Securities Lending of Securities Companies (《證券公司融資融券業務管理辦法》) (amended on October 26, 2011), securities companies engaging in margin financing and securities lending businesses shall open accounts in their own name at securities registrars, including special securities lending account, margin guarantee account, margin settlement account and margin capital settlement account. Such securities companies shall also open accounts at commercial banks, including special margin financing account and margin capital guarantee account. Securities companies shall, with reference to third-party custody of the clients' transaction settlement funds, enter into a margin custody agreement with their clients and commercial banks. The capital and securities provided by securities companies to their clients are limited to those in the special margin financing account and special securities lending account. A securities company that applies for the qualification to engage in margin financing and securities lending business must satisfy the following conditions:

- it shall have a minimum operating history of three years in securities brokerage;
- it shall have a sound system of corporate governance and effective internal controls in place to identify, control and prevent any potential operational risks and internal control risks;
- it and its directors, supervisors and senior management shall not have been subject to any administrative and criminal penalties for any violation of relevant laws and regulations in their operations during the past two years, and may not be subject to any current investigation or rectification for any breach of rules or regulations by the CSRC;
- it shall have a sound financial position, with each of its risk control indicators in compliance with the relevant requirements for the most recent two years and its registered capital and Net Capital also in compliance with the requirements subsequent to the commencement of the margin financing and securities lending business;
- its clients' assets remain secured and intact with effective measures in place for clients' third-party fund depository, and clients' particulars remain true and intact;

- it shall maintain a comprehensive, compliant feedback mechanism that ensures the prompt and proper resolution of any disputes with clients;
- it shall maintain a resilient information security system, with no material incidents during the past year due to any management issues, and the systems designed for margin financing and securities lending business have been approved by stock exchanges and registrars;
- it shall have an appropriate number of senior management and professionals who are responsible for the margin financing and securities lending business, and the proposals and internal control system have been approved and accredited by the SAC; and
- any other conditions stipulated by the CSRC.

According to the Guidelines of the Internal Control of Margin Financing and Securities Lending of Securities Companies (《證券公司融資融券業務內部控制指引》) (amended and promulgated on October 26, 2011), securities companies engaging in margin financing and securities lending businesses shall keep clients' assets secured, establish management system for client base and strengthen risk control and business inspection.

According to the requirements set forth in the "Letter on Circulating the Results of Onsite Inspection on the Margin Financing and Securities Lending Business of the Securities Companies in the 4th Quarter of 2014" (《關於通報2014年第4季度證券公司融資類業務現場檢查情況的函》) issued by the CSRC on February 3, 2015, since January 19, 2015, the securities companies should not provide margin financing and securities lending service for the clients who did not meet the RMB500,000 securities account balance threshold. For the existing clients who did not meet the RMB500,000 securities account balance threshold at the time when they opened the accounts, while their ability to carry on transactions should not be affected, the CSRC required the securities companies to focus on the risk assessment on such clients and fully disclose the potential risks in relation to the margin financing and securities lending business to them. In addition, a securities company is prohibited to provide margin financing and securities lending service for clients who have been securities trading clients, for less than half a year, of such securities company or any other securities company that controls or is controlled by such securities company.

Refinancing Business

Pursuant to the Trial Measures on Supervision and Administration of Refinancing Business (《轉融通業務監督管理試行辦法》) effective on October 26, 2011, refinancing business refers to a business in which a securities finance company lends its own funds or funds legally raised to a securities company for conducting margin financing and securities lending activities. To conduct refinancing business, a securities finance company shall, in its own name, open a securities account, a guaranteed securities account and a securities settlement account specific for refinancing business with the securities registration and settlement authority. A securities financial company shall also set up a client credit assessment mechanism to evaluate the credit of securities companies and determine and adjust the credit line based on the evaluation. Further, a securities financial company shall charge deposits at a certain rate from securities companies for the refinancing business. The securities registration and settlement authority carries out transfers of securities or funds under refinancing business according to instructions issued or authorized by holders of securities or funds accounts. A securities financial company is not established for profit and performs the following duties:

- to provide refinancing of funds or securities to securities companies for conducting margin financing and securities lending activities;

- to monitor the margin financing and securities lending activities of the securities companies;
- to monitor and analyze margin financing and securities lending activities in the market and control risks through market activities; and
- to perform other duties stipulated by the CSRC.

Securities Investment Consulting

According to the Provisional Measures on Management of Investment Consultations on Securities and Futures (《證券、期貨投資諮詢管理暫行辦法》) effective from April 1, 1998, a firm which engages in securities investment consulting business shall obtain the necessary qualifications and a business license from the CSRC. Practitioners of securities investment consulting shall obtain the relevant qualifications and provide securities investment consulting services under a qualified securities investment consulting institution. A firm which engages in securities and futures investment consulting business shall satisfy the following conditions:

- it shall have more than five professionals with qualifications for securities or futures investment consultancy. A firm engaging in securities and futures investment consultancy shall have more than 10 professionals with relevant qualifications. At least one member of its senior management member shall obtain the relevant qualifications;
- its registered capital shall not be less than RMB1 million;
- it shall have permanent business premises and relevant communication and other information transmission facilities;
- it shall have articles of association;
- it shall have a sound internal management system; and
- it shall satisfy other conditions stipulated by the CSRC.

According to the Regulations on the Securities Investment Advisor Business (Provisional) (《證券投資顧問業務暫行規定》) effective from January 1, 2011, a securities company and its investment advisors shall provide securities investment advisory services in good faith and shall not jeopardize the interests of clients by acting in favor of the company and its associates, investment advisors and their related parties, or other clients.

The Provisions on the Release of Securities Research Reports (Provisional) (《發佈證券研究報告暫行規定》) effective from January 1, 2011, stipulates that the publishing of securities research reports by securities companies and securities investment advisory agencies shall abide by laws, administrative regulations and other relevant requirements, follow the principles of independence, objectiveness, fairness and prudence, effectively prevent conflicts of interest, and treat objects under issuance in a fair manner. They shall also be prohibited from disseminating false, untrue and misleading information, and from engaging in or participating in insider trading or securities market manipulation.

Securities Underwriting and Sponsorship

According to the Administrative Measures for the Sponsorship of the Offering and Listing of Securities (《證券發行上市保薦業務管理辦法》) amended on May 13, 2009 and effective from June 14, 2009, securities companies shall apply for the sponsoring institution qualification from the CSRC in accordance with the regulations for the operation of listing and sponsoring business. In order to discharge sponsorship responsibilities, sponsoring institutions shall designate an individual, who has obtained sponsor representative qualification, to be responsible for sponsorship duties. Issuers shall employ securities companies which have obtained sponsoring institution qualification to perform the sponsorship duties for the following matters: initial public offering and listing, issuance of new shares or convertible corporate bonds by listing companies and other conditions identified by the CSRC.

Any securities company applying for sponsoring institution qualification shall meet the following requirements:

- its registered capital shall be no less than RMB100 million and its Net Capital shall be no less than RMB50 million;
- it shall have comprehensive systems of corporate governance and internal control and indicators of risk control in line with relevant regulations;
- its sponsor business shall have sound mechanisms of business procedures, internal risk assessment and control as well as a reasonable internal structure, and proper research and marketing capabilities;
- it shall have a strong sponsor business team, with reasonable professional structure, the number of professionals shall not be less than 35, among which, the number of personnel who have engaged in sponsor-related businesses in the past three years shall not less than 20;
- the number of its professionals who have qualified as sponsor representatives shall not be less than four;
- it has not been subject to any administrative penalties for any material breach of laws and regulations during the past three years; and
- it shall meet all other requirements of the CSRC.

The Administrative Measures on Securities Issuance and Underwriting (《證券發行與承銷管理辦法》) (amended on March 21, 2014 with immediate effect) regulates the issuance of shares or convertible bonds in the PRC by issuers, or the underwriting of securities in the PRC by securities companies in various aspects, including quotation and pricing, sale of securities, underwriting of securities, and information disclosure. A securities company shall submit offering and underwriting plans to the CSRC prior to engaging in any underwriting activities.

In addition, the Guidance of the CSRC on Further Promoting IPO Reform (《中國證監會關於進一步推進新股發行體制改革的意見》) (promulgated on November 30, 2013 with immediate effect) further stipulated that sponsor institutions and accounting firms shall undertake in public offering and listing documents that if false, or misleading statements are made, or a material omission occurs in the documents issued, prepared and produced by issuers for initial public offering which result in losses to investors, then sponsor institutions and accounting firms must compensate the losses of investors in accordance with the law.

According to the Administrative Regulations on Corporate Bonds (《企業債券管理條例》) amended on January 8, 2011 with immediate effect, the offer of corporate bonds shall be underwritten by securities institutions, which shall verify the truthfulness, accuracy and completeness of the prospectus and other documents of the issuer.

According to the Measures on Pilot Practice for Underwriting of Private Bonds for SMEs by Securities Companies (《證券公司開展中小企業私募債券承銷業務試點辦法》) promulgated on May 23, 2012 with immediate effect, corporate bonds issued by non-listed SMEs and microenterprises through private placement may be underwritten by securities companies so entrusted. A securities company and its personnel acting as the underwriter of private bonds shall diligently perform their duties, strictly comply with the norms and ethics of practices and fulfill their duties according to the relevant provisions and conventions.

Corporate Bonds Underwriting

According to the Administrative Measures for the Issuance and Trading of Corporate Bonds effective from January 15, 2015, the issuance of corporate bonds shall be underwritten by securities companies with qualification to engage in securities underwriting business. When underwriting corporate bonds, underwriters shall be in compliance with the Administrative Measures for the Issuance and Trading of Corporate Bonds and applicable regulations on due diligence, risk control and internal control issued by the CSRC and the SAC to formulate strict risk management system and internal control system and enhance pricing and placing management.

Host Brokerage in the National Equities Exchanges and Quotations System

Securities companies may act as host broker in the National Equities Exchange and Quotations Systems. According to the Administrative Measures on National Equities Exchange and Quotations Company Limited (Provisional) (《全國中小企業股份轉讓系統有限責任公司管理暫行辦法》) effective from January 31, 2013, host brokerage business includes recommending the listing of shares of joint stock companies, continuously supervising listed companies, trading shares of joint stock companies on behalf of investors, providing market-making services for the transfer of shares and other businesses as specified by National Equities Exchange and Quotations Company Limited.

Under the supervision of National Equities Exchanges and Quotations Company Limited, host brokers, law firms, accounting firms and other institutions and personnel providing services in relation to the transfer of shares shall act in good faith and diligently perform their legal duties in strict compliance with laws and regulations and industry requirements, and shall be also responsible for the truthfulness, accuracy and completeness of documents they issued.

Regional Equity Trading Market

Prior to entering in regional equity trading market, securities companies shall carry out evaluation on regional equity trading market and prepare evaluation report in accordance with Guiding Opinions on Regulating Securities Companies' Participation in Regional Equity Trading Markets (for Trial Implementation) (《中國證監會關於規範證券公司參與區域性股權交易市場的指導意見（試行）》) effective from August 23, 2012. Securities companies participating in regional equity trading market shall be in compliance with relevant regulatory requirements of the CSRC and shall file with the SAC.

Securities companies shall participate in regional equity trading market in the ways as agreed with the regional equity trading market. If securities companies participant in the market in way of equity, its Net Capital shall be deducted in accordance with the applicable requirements. If securities companies become the members of regional equity trading market, they may engage in recommendation on listing of companies, trading of shares of listed companies on behalf of investors and providing shares transfer, directional equity financing, bond financing, investment consultation services and other related services for listed companies in the regional market. Securities companies engaging in relevant business shall formulate risk prevention system and increase their risk capital reserve.

Securities Asset Management

In accordance with the Administrative Measures for the Client Asset Management Business of Securities Companies, the Implementation Rules for the Targeted Asset Management Business of Securities Companies (《證券公司定向資產管理業務實施細則》) effective from October 18, 2012, the Implementation Rules of the Collective Asset Management Business of Securities Companies (《證券公司集合資產管理業務實施細則》) effective from June 26, 2013, and the Notice in relation to Strengthening Supervision on Asset Management Business of Securities Companies (《關於加強證券公司資產管理業務監管的通知》) effective from March 14, 2013, securities companies engaging in client asset management shall comply with the relevant conditions and shall apply to the CSRC for approval. Securities companies may undertake targeted asset management businesses for individual clients, collective asset management businesses for multiple clients and specialized asset management businesses for selected clients.

The Administrative Measures on Asset Securitization of Securities Companies and Subsidiaries of Fund Management Companies (《證券公司及基金管理公司子公司資產證券化業務管理規定》) (promulgated on November 19, 2014 with immediate effect) allows securities companies and subsidiaries of fund management companies which are qualified for client asset management to conduct asset securitization.

Direct Investment

Pursuant to the Rules for Direct Investment Business of Securities Companies (《證券公司直接投資業務規範》) (as amended in January 2014), securities companies which engage in direct investment business shall establish a direct investment subsidiary in accordance with the requirements of the relevant regulatory authorities. Securities companies shall not develop direct investment business in any other form. A direct investment subsidiary and its affiliates shall establish a sound investment management system which specifies its investment scope, investment strategies, forms of investment, investment restrictions, decision-making procedures, investment process, post-investment management and exit strategies, etc. A direct investment subsidiary and its affiliates may also set up and manage direct investment funds including equity investment funds, debt investment funds, venture capital funds, buyout funds, mezzanine funds, as well as other direct investment funds targeted at the aforesaid funds ("Parent Fund"). A direct investment subsidiary may engage in businesses including (1) investing in equity or debt, or other investment funds related to equity or debt of an enterprise with its own capitals or through establishing a direct investment fund; (2) providing financial consultancy service in respect of equity investment funds or debt investment funds to clients; and (3) other businesses approved by the CSRC. It is prohibited from acquiring investment opportunities by illegal means (such as commercial bribery) or entering into illegal transactions.

Proprietary Securities Trading

The Regulations on Supervision and Management of Securities Companies (《證券公司監督管理條例》) and the Guidelines on Proprietary Business of Securities Companies (《證券公司證券自營業務指引》) effective from November 11, 2005, state that securities companies engaging in proprietary securities trading shall be limited to the trading of publicly offered stocks, debentures, warrants, securities investment funds or other securities approved by the securities regulatory authorities of the State Council. A securities company that engages in proprietary securities trading business shall be registered under the name of the proprietary securities account. Risk control indicators, such as the proportion of total value of proprietary securities to Net Capital, the proportion of the value of a single security to Net Capital, and the proportion of a single security to the total number of the securities in issue, shall comply with the requirements of the CSRC.

Securities companies that engage in proprietary securities trading business are allowed to trade the securities on the List of Securities Investment Products for the Proprietary Trading of Securities Companies (《證券公司證券自營投資品種清單》), the annex of the Regulations on Investment Scopes of Proprietary Trading Business of Securities Companies and Relevant Matters (《關於證券公司證券自營業務投資範圍及有關事項的規定》) (effective from June 1, 2011 and amended on November 16, 2012), which include: (1) securities which have been or may be legally listed, traded and transferred on a domestic stock exchange; (2) securities which have been listed and transferred on the national SME share-transfer system; (3) private placement bonds which have been or may be legally listed and transferred on qualified regional equity trading markets, and shares which have been listed and transferred on qualified regional equity trading markets; (4) securities which have been or may be legally traded on the domestic inter-bank market; and (5) securities issued with the approval of the financial regulatory department or its authorized bodies or after filing with the financial regulatory department or its authorized bodies and traded over-the-counters at domestic financial institutions.

Securities companies shall maintain investment decision-making and authorization mechanisms with relative centralization and unification of rights and responsibilities. In principle, the decision-making framework of self-operated businesses shall be established on three levels: self-regulated business departments, investment decision-making organ and the board of directors.

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

Interbank Bonds Market in China

Pursuant to the Administrative Measures on the Entry of Securities Companies into the Interbank Market (《證券公司進入銀行間同業市場管理規定》), securities companies applying for entry into the interbank market in China shall obtain recommendation from the CSRC. Securities companies approved to be a member of the national interbank market shall conduct interbank borrowing and bonds transactions business through the trading system provided by the national interbank borrowing center. A securities company applying for entry into the national interbank market shall be subject to the following conditions:

- its capital adequacy ratio shall meet the statutory criteria;
- it shall comply with the Securities Law and shall not misappropriate deposits from clients according to the requirement of the CSRC;
- it shall operate properly within the authorized scope and its assets shall be more than liabilities as calculated based on accounting standards; and
- it shall have a sound internal management system without any material violation.

In addition to the Administrative Measures on the Entry of Securities Companies into the Inter-bank Market (《證券公司進入銀行間同業市場管理規定》), a securities company shall conduct interbank market transactions in accordance with the provisions on debentures transactions, including the Regulations on the Interbank Bonds Repurchase Business (Provisional) (《銀行間債券回購業務暫行規定》), the Rules on Interbank Bonds Transactions (《銀行間債券交易規則》) and the Rules on the Settlement of Interbank Bonds Transactions (《銀行間債券交易結算規則》), and sign agreements and documents such as master agreements of bond repurchase.

Stock Index Futures

According to the Guidelines on Securities Companies Participating in Stock Index Futures and MOF Bonds Futures Trading (《證券公司參與股指期貨、國債期貨交易指引》) promulgated on August 21, 2013 with immediate effect, securities companies engaging in stock index futures trading shall establish relative systems for participating in stock index futures and treasury bond futures trading, including investment decision-making procedures, investment purposes, investment scales and risk control, etc. A securities company engaging in stock index futures trading shall have professionals who are familiar with stock index futures and treasury bond futures, a sound risk management and internal control system, and an effective and dynamic risk monitoring system to ensure that the risks relating to engaging in stock index futures and treasury bond futures trading are measurable, controllable and tolerable. Securities company engaging in stock index futures and treasury bond futures trading with its own fund shall satisfy the following requirements:

- it shall apply for a trading code according to the requirements of China Financial Futures Exchange ("CFFEX").
- it shall deduct 100% of the trading deposits under stock index futures and treasury bond futures contracts from its Net Capital according to the requirements of the Administrative Measures for the Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》).
- it shall set aside 5% of its investment amounts as risk capital reserve for stock index futures and treasury bond futures that have been risk hedged (the aforesaid 5% is a benchmark rate, and different rates are applicable to different companies for risk capital reserve, same as in following cases). It shall set aside 20% of its investment amounts as risk capital reserve for stock index futures and treasury bond futures that have not been risk hedged.
- stock index futures and treasury bond futures that satisfy the requirement of highly hedged level under the Accounting Standards for Enterprises No. 24—Hedging may be considered as having been risk hedged.
- its proprietary equity securities and security derivatives, including stock index futures and treasury bond futures, must not exceed 100% of its Net Capital. The amount of stock index futures is calculated at 15% of its total contracted value, while treasury bond futures are calculated at 5%.

According to the Guidelines on Securities Companies Participating in Stock Index Futures and Treasury Bonds Futures Trading (《證券公司參與股指期貨、國債期貨交易指引》) (promulgated on August 21, 2013 with immediate effect), securities companies are prohibited from engaging in illegal and improper activities such as insider trading, market manipulation or interest transfer.

Over-the-Counter Business

Securities companies shall engage in over-the-counter business in accordance with the Administrative Measures on Securities Companies on Over-the-Counter Market (for Trial Implementation) (《證券公司櫃枱市場管理辦法（試行）》) effective from August 15, 2014 subject to the governance of the SAC. Apart from private equity products which are subject to approval and filing as required by financial regulatory authorities, private equity products issued, sold and transferred by securities companies in over-the-counter market are subject to filing after the issuance, selling and transfer. Products issued, sold and transferred by securities companies in over-the-counter market include but not limited to (1) asset management plans and corporate debt financing instruments established or underwritten by securities companies or their subsidiaries in way of private placing; (2) products established by banks, insurance companies, trust companies and issued, sold and transferred by securities companies; (3) financial derivatives and other products as allowed by the CSRC and the SAC.

Corporate Governance and Risk Control

Corporate Governance and Risk Control of Securities Companies

1. Corporate Governance

Securities companies shall comply with the corporate governance requirements regarding the composition, operation, convening and voting procedures of shareholders' meetings, the board of directors and the supervisory committee as set out in the Company Law, the Securities Law, the Regulations on Supervision and Management of Securities Companies and the Rules for Governance of Securities Companies (as amended on January 1, 2013 with immediate effect).

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

A securities company that engages in two or more businesses in securities brokerage, asset management, margin financing and securities lending, securities underwriting and sponsoring shall have a remuneration and nomination committee, an audit committee and a risk control committee under its board of directors to perform the duties and exercise the rights as specified in the articles of association of the company. The persons in charge of the remuneration and nomination committee and the audit committee shall be independent directors. A securities company shall have a secretary for the board of directors to be responsible for the preparation of shareholders meetings and directors meetings, filing of documents and management of shareholders information. A securities company shall set up an organization to perform the duties of operation of the securities company, the name, composition, duties and rules of procedures of the organization shall be set out in the articles of association of the company, and the members of the organization shall be the senior managements of the securities company. The above laws and regulations also provide that the directors, supervisors, senior managements of the securities company shall be honest, of good character, be familiar with securities laws and administrative regulations, and with the operating and management capabilities as required for discharging their duties, and they shall obtain the approval of the securities regulatory authorities of the State Council to hold the post before taking office. A person in one of the following circumstances shall not be a director, supervisor or member of senior management of a securities company:

- no civil capacity or with limited civil capacity;
- sentenced to criminal penalty because of corruption, bribery, seizure of property, misappropriation of property or damage to the socialist market economic order, and less than five years have lapsed since completion of the sentence, or was deprived of political rights for crime and less than five years have lapsed since the expiry of the deprivation;
- has been a director, factory director or manager of a liquidated company or enterprise, and was personally liable for the bankruptcy, and it has not been three years since completion of the bankruptcy or liquidation of the company or enterprise;
- has been the legal representative of a company or enterprise of which the business license was revoked for violation of law and which was ordered to be closed, and was personally liable, and it has not been three years since the revocation of the business license of such company or enterprise;
- has a large amount of outstanding personal debts.

All the above are provisions under the Company Law.

The Regulatory Measures on Qualifications of Directors, Supervisors and Senior Management of Securities Companies (《證券公司董事、監事和高級管理人員任職資格監管辦法》) (amended on October 19, 2012 with immediate effect), specify the requirements on the qualifications of directors, supervisors and senior management. Each of them shall obtain approval from the securities regulatory authorities to hold the post.

2. Risk Control

Pursuant to the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) (amended on June 24, 2008 and effective from December 1, 2008), a securities company shall prepare financial statements of its Net Capital and reserve of risk capital and risk control indicators, along with the calculation of the Net Capital and provisions of risk capital. The Administrative Measures for Risk Control Indicators of Securities Companies stipulate a warning ratio and a minimum regulatory ratio for risk control indicators that securities companies are required to comply with. The CSRC may make appropriate adjustments to the standards for risk control indicators and the ratio of risk capital reserves of a particular business according to the governance structure, the internal control and risk control of the securities companies. In addition, a securities company shall, within seven working days from the end of each month, submit to the CSRC and the dispatch office its monthly calculation sheet for net capital, calculation sheet for risk capital reserves and monitor statement of risk control indicators. If the net capital or any other risk control indicator of a securities company fails to meet the specified criteria, the dispatch office shall order the securities company to take appropriate remedial action. If a securities company fails to complete rectification or improvement activities within a specified time, the dispatch office shall, depending on the circumstances, take any of the following measures against the securities company on the date following the expiration of such a specified time: restricting its business activities; ordering it to suspend part of its business; imposing restrictions on the payment of remuneration or the provision of benefits to its directors, supervisors and senior officers; ordering it to replace its directors, supervisors and senior officers or to restrict their rights; ordering its controlling shareholder to transfer its equity interests or restricting the exercise of the rights of the relevant shareholders; or recognizing any of its directors, supervisors or senior officers as an unfit candidate for the relevant position. If a securities company fails to complete rectification and improvement activities within a specified time, or the conditions of its risk control indicators continue to deteriorate, so that the stable and healthy operation of the securities company is seriously affected, the CSRC may revoke its license for the relevant business. If the risk control indicators of a securities company fail to reach the required ratios, thereby seriously harm the order of the securities market and damage the interests of its investors, the CSRC may, depending on the circumstances, take any of the following measures against the securities company: ordering it to suspend its business for internal rectifications; designating another institution as its custodian or receiver; revoking its securities business license; or removing it from the register of qualifying securities companies.

The Regulations on the Calculation Standard for Risk Capital Reserve of Securities Companies (關於證券公司風險資本準備計算標準的規定) (amended on November 16, 2012 with immediate effect) provide that securities firms shall calculate their main risk capital reserve based on the following benchmarks:

- Securities firms that engage in securities brokerage business shall calculate the risk capital reserve of brokerage business at 2% of the total transaction settlement funds of the clients;
- Securities firms that engage in proprietary trading business shall calculate the risk capital reserve at 20%, 15% and 8% of the investment scale for securities derivatives, equity securities and fixed-income securities without risk hedging, respectively; for securities derivatives, equity securities and fixed-income securities with risk hedging, securities companies shall calculate the risk capital reserve at 5% of the investment scale. The investment scale of stock index futures shall be calculated at 15% of the total value of futures contract, while the investment scale of interest rate swap shall be calculated at 3% of total nominal principal amount in interest rate swap contracts. Securities firms that engage in proprietary trading business and violate the stipulated proportion shall, before the completion of relevant rectification, calculate the risk capital reserve concerning the part beyond the proportion at 100% of the investment costs;
- Securities firms that engage in securities underwriting business shall calculate risk capital reserve of underwriting business on the basis of 30%, 15%, 8% and 4%, respectively, of the underwritten amount of stocks of refinancing projects, stocks of IPO projects, corporate bonds and government bonds;
- Securities firms that engage in securities asset management business shall calculate the risk capital reserve of asset management business at 2%, 2%, 1% and 1% respectively of the specialized, collective, limited, and directional asset management business;
- Securities firms that engage in securities margin trading shall calculate the risk capital reserve for securities margin trading at 5% and 10% respectively of the financing business scale and margin business scale of the clients;
- Securities firms that establish branch offices and securities branches shall calculate their risk capital reserves at RMB20 million and RMB3 million, respectively; and
- Securities firms shall calculate operational risk capital reserve on the basis of 10% of total operating expenses of preceding year.

At present, the CSRC adopts different risk capital reserve calculation proportions for different types of securities companies so as to match different risk management abilities of securities companies. Companies in class A for three consecutive years shall calculate the relevant risk capital reserves at 0.2 of the benchmark calculation standards prescribed in the above items (1) through (5).

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

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

3. Classified Regulation

Pursuant to the Regulations on Classification of Securities Companies (《證券公司分類監管規定》) (effective from May 14, 2010), the CSRC classifies securities companies into five types and eleven categories as A (AAA, AA, A), B (BBB, BB, B), C (CCC, CC, C), D and E, based on the risk control capability, competitiveness and continuous compliance of securities companies for prudent regulation purposes. To be specific, the CSRC will classify securities firms into five types and eleven categories based on the risk management capability, market competitiveness and continuous compliance of the securities companies. “Regulatory point” regime is one of the systems adopted by the CSRC to assess the continuous compliance of securities firms: certain incidents leading to the imposition of penalties will result in the CSRC deducting the corresponding amount of “regulatory points”, which may ultimately have negative effect on the securities firms’ regulatory rating. However, when determining the regulatory rating of a securities firm, the CSRC will not only consider the deduction in regulatory points but will also take into account its risk management capability (mainly assessed on the basis of the securities firms’ capital adequacy, corporate governance and compliance management, dynamic risk control, safety of IT system, protection of clients’ interest and information disclosure) and market competitiveness (industry-wide ranking of net income, net profit, deals of underwriting issuance of shares or bonds, cost management, and innovative business, etc.) and assess the condition of the securities firms as a whole.

According to the principle of classified regulation, the CSRC sets up different standards on risks-control indicators and calculating proportions for different types of securities companies and treats them differently in respect of regulation resource allocation and the frequency of on-site and off-site inspections.

Corporate Governance and Risk Control of Futures Companies

1. Corporate Governance

The Administrative Measures for Futures Companies (《期貨公司管理辦法》) provide that the CSRC implements the management qualification system on the directors, supervisors, senior management and other futures practitioners of futures companies. The business, personnel, assets, finance and place of business of a futures company shall be strictly separated from those of its controlling shareholders and have independent operations and accounting; futures companies with the qualification for clearing business of a futures exchange under the membership classification and clearing system and wholly owned futures companies, etc., shall have independent directors; a futures company shall have a board of supervisors or supervisors, as well as chief risk officer.

The Management Measures on Qualifications of Directors, Supervisors and Senior Management of Futures Companies (《期貨公司董事、監事和高級管理人員任職資格管理辦法》) further strengthens the management of qualifications of the directors, supervisors and senior management of futures companies.

2. Risk Control

According to the Supervision and Administrative Measures for Futures Companies (《期貨公司監督管理辦法》), the Administrative Measures on Futures Trading (《期貨交易管理條例》) and the Administrative Measures for Risk Monitoring Indicators of Futures Companies (《期貨公司風險監管指標管理辦法》) (as amended on February 21, 2013 and which took effect from July 1, 2013), futures companies shall establish effective operation systems and procedures related to risk management, internal control and futures margin depository so as to maintain the financial stability and continuous compliance with the standards for risk monitoring indicators stipulated by the CSRC as well as to ensure the safety of clients' transactions and assets. A futures company engaging in futures brokerage and other futures business shall strictly implement the systems for the separation of business and capital, while mixed operations are prohibited. Futures companies shall maintain a chief risk officer responsible for monitoring and inspecting compliance and risk control in its daily operation and management.

3. Classified Regulation

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

Corporate Governance and Risk Control of Direct Investment Company

Corporate Governance

Pursuant to the Rules for Direct Investment Business of Securities Companies (《證券公司直接投資業務規範》), securities companies shall strengthen personnel management and avoid morality risk. Employees of securities companies shall not serve as senior members or direct investment practitioners concurrently for a direct investment subsidiary and its affiliates or any direct investment funds, or engage in any direct investment business in other forms that breach the laws. Personnel of securities companies having conflicts of interest shall not serve as a director, supervisor or member of the investment decision-making committee concurrently for the aforesaid entities. For other personnel assuming posts above, securities companies shall set up a strict and effective system of internal control to avoid potential conflicts of interest or morality risk. Effective information barriers should be established between securities companies and direct investment subsidiaries and their affiliates and direct investment funds to strengthen the isolation, monitoring and management of sensitive information and prevent dissemination and improper use of sensitive information between securities and direct investment businesses, so as to prevent insider trading and the risk of tunneling.

Risk Control

Pursuant to the Rules for Direct Investment Business of Securities Companies (《證券公司直接投資業務規範》), a direct investment subsidiary and its affiliates shall establish a sound investment management system which specifies its investment scope, investment strategies, forms of investment, investment restrictions, decision-making procedures, investment process, post-investment management and exit strategies, etc. A direct investment subsidiary and its affiliates shall set up a committee for investment decision-making and investment decision-making procedures as well as a mechanism to identify and analyze risks in order to prevent investment risk effectively. A direct investment subsidiary and its affiliates shall not provide guarantees to enterprises or individuals other than direct investment subsidiaries and their affiliates and direct investment funds or become a contributor that bears joint liability for debts of the invested enterprise. A direct investment subsidiary and its affiliates shall also strengthen the management of enterprises invested and continuously follow up, analyze and assess operations of enterprises invested as well as deal with investment risks in a timely manner when they materialize.

Corporate Governance and Risk Control of Asset Management Company

Corporate Governance

According to the Regulations on Supervision and Administration of Securities Companies, where a securities company engages in two or more of the securities brokerage business, securities asset management business, securities lending and borrowing business, and securities underwriting and sponsorship business, its board of directors shall establish a remuneration and nomination committee, an audit committee and a risk control committee to exercise the functions and powers stipulated by the articles of association of the company. Where the board of directors of a securities company establishes a remuneration and nomination committee and an audit committee, the persons in charge of the committee shall be independent directors.

Risk Control

In accordance with the Administrative Measures for the Client Asset Management Business of Securities Companies, the securities companies shall, upon carrying out the client asset management business, fully understand the clients, classify the clients, introduce proper products or service for the clients pursuant to the risk matching principle, and be prohibited to mislead the clients to purchase the products or service not matching with their risk bearing capacity. The securities companies shall conduct their operation and management in a centralized manner, and shall enter into the external asset management contracts uniformly. In addition, to engage in the client asset management business, the securities companies shall establish sound risk control system and compliance management system, and shall take effective measures to separate their client asset management business from other business, control the improper flow and utilization of the sensitive information and prevent any insider trading and conflicts of interests.

Other Regulations

Exchange Control

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

According to the Regulations on the Foreign Exchange System of the People's Republic of China (《中華人民共和國外匯管理條例》), amended on August 5, 2008 with immediate effect, international payments and transfers are classified into current account items and capital account items. In the PRC, current international payments and transfers are not subject to approval from SAFE, while capital account items are.

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

On December 26, 2014, SAFE issued the Notice on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) with immediate effect. The Notice provides that:

- SAFE and its branches (hereafter as "Foreign Exchange Bureaus") supervise, manage and inspect, among other things, the business registration, account opening and use, cross-border payments and capital exchange involved in the overseas listing of domestic companies.
- A domestic company shall conduct overseas listing registration with Foreign Exchange Bureaus at the place of its incorporation with related materials within 15 working days after the completion of the offering of its overseas listing shares.
- A domestic company may repatriate the proceeds from offshore listing to its domestic account or retain such proceeds at its overseas account. The use of such proceeds shall be consistent with the content of the prospectus or other public disclosure documents such as documents for issuance of corporate bonds, circulars to shareholders and resolutions of

board of directors and shareholders' meetings. Proceeds raised from issuance of convertible bonds by a domestic company and intended to be remitted to its domestic account shall be remitted to its specific domestic account for foreign debts and the company shall complete relevant procedures in accordance with relevant regulations on foreign debts administration; and proceeds raised from issuance of other types of securities by a domestic company and intended to be remitted to its domestic account shall be remitted to its special domestic account for offshore listing (foreign exchange) or payment account (RMB).

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

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

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

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) issued by the State Council on November 24, 2014 with immediate effect, SAFE and its branches lifted the approval requirement for the remittance and settlement of proceeds raised from overseas listing of foreign shares of domestic companies.

The Provisions on Foreign Exchange Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors (《合格境外機構投資者境內證券投資外匯管理規定》), amended on December 7, 2012 with immediate effect, provide that the Chinese government shall adopt a quota system on the investments in domestic securities by qualified foreign investors. SAFE approves the investment quota of the individual qualified investors and such quota may be adjusted to encourage medium and long-term investment. A qualified investor is not allowed to apply for an increase in investment quota within one year after approval of the investment quota.

Information Disclosure

The Notice on the Relevant Issues Regarding Information Disclosure of Securities Companies (《關於證券公司信息公示有關事項的通知》) effective from July 25, 2006, sets forth the specific requirements on information disclosure by securities companies, including methods, requirements and contents of information disclosure.

Provisions on Strengthening the Supervision and Administration of Listed Securities Companies (《關於加強上市證券公司監管的規定》) amended on June 30, 2010 with immediate effect, requires timely information disclosure of regular reports and ad hoc reports by listed securities companies within the prescribed period and provides that listed companies shall establish a sound information management system in accordance with the characteristics of the securities industry in the PRC, their practices and general regulations regarding information disclosure by listed companies.

Anti-money Laundering

Securities companies shall comply with the requirements related to anti-money laundering stipulated in the Anti-money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) effective from January 1, 2007, the Provisions on Anti-money Laundering of Financial Institutions (《金融機構反洗錢規定》) effective from January 1, 2007, and the Measures on Administration of Identification of Clients and Preservation of Client Identities Information and Trading Records of Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》), which became effective from August 1, 2007.

The Measures on Anti-money Laundering by the Securities and Futures Industry (《證券期貨業反洗錢工作實施辦法》), enacted by the CSRC and were effective from October 1, 2010, further regulate the anti-money laundering regulations for the securities and futures industry, as well as the anti-money laundering responsibilities of the institutions engaging in sales of funds in their business operation. Securities and futures entities shall also establish and enhance internal control systems for anti-money laundering.

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

International Convention for the Suppression of the Financing of Terrorism (《制止向恐怖主義提供資助的國際公約》)

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

The United Nations Convention against Corruption (《聯合國反腐敗公約》)

The PRC is a party to the United Nations Convention against Corruption, a multilateral convention adopted by the General Assembly of the United Nations on October 31, 2003. This convention requires parties to implement anti-corruption measures affecting their laws, institutions and practices, and the measures aim to promote the prevention, detection and sanctioning of corruption, as well as the cooperation between ratifying parties on these matters. As of the Latest Practicable Date, the United Nations Convention against Corruption has been ratified by 175 parties. The government of the PRC ratified this convention on October 27, 2005, with reservation on paragraph 2 of Article 66.

THE U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT ("FATCA")

The United States has enacted rules commonly referred to as FATCA that target tax evasion by U.S. taxpayers using foreign accounts. FATCA seeks to obtain information on accounts held by U.S. taxpayers in other countries by requiring foreign financial institutions ("FFIs") to report to the U.S. Internal Revenue Service ("IRS") information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a minimum ownership interest. Governments have the option of permitting their FFIs to enter into agreements directly with the IRS to comply with FATCA under U.S. Treasury Regulations or to implement FATCA by entering into one of two alternative model intergovernmental agreements ("IGAs") with the United States.

The governments of the United States and Hong Kong have entered into a Model 2 IGA. Under this agreement, Hong Kong will direct and legally enable FFIs in Hong Kong to register with the IRS and report the information required by FATCA about consenting U.S. accounts directly to the IRS. This requirement is supplemented by government-to-government exchange of information regarding certain pre-existing non-consenting accounts on request.

The governments of the United States and the PRC have in substance agreed to a Model 1 IGA. Under a Model 1 IGA, FFIs will report the information required under FATCA about U.S. accounts to their home governments, which in turn will report the information to the IRS. These agreements are reciprocal, meaning that the United States will also provide similar tax information to these governments regarding individuals and entities from their jurisdictions with accounts in the United States.

A withholding tax of 30% may be imposed under FATCA on certain payments made to us and our subsidiaries that are treated as FFIs, including payments of U.S. source interest and dividends, as well as, beginning in 2017, the gross proceeds of the disposal of assets that can produce United States source interest or dividends, unless we and our subsidiaries that are treated as FFIs (a) enter into an agreement with the United States Treasury to collect and provide to the U.S. tax authorities information regarding United States persons (or foreign entities in which United States persons hold a minimum ownership interest) that directly or indirectly maintain accounts with the FFI (including, in certain circumstances, owning equity or debt issued by the FFI) or (b) comply with legislation that implemented an IGA between the applicable FFI's jurisdiction and the United States. We and each of our subsidiaries intend to comply with FATCA. Such compliance may affect how we structure our operations and conduct our business.

HISTORY AND DEVELOPMENT

Establishment of our Company and Development

The history of our Company can be traced back to April 9, 1991 when Jiangsu Securities Company (江蘇省證券公司) was established with a registered share capital of RMB10 million. After various rounds of capital increase since our establishment, the share capital of our Company increased to RMB850.32 million and we were renamed as Huatai Securities Limited Liability Company (華泰證券有限責任公司) in December 1999. On December 7, 2007, the share capital of our Company increased to RMB4,500 million and we were renamed as Huatai Securities Co., Ltd. (華泰證券股份有限公司) as a result of the conversion into a joint stock limited liability company held by 22 shareholders.

Since February 2010, our A Shares have been listed on the Shanghai Stock Exchange with the stock code of 601688, and were subsequently admitted to the CSI 300 Index in July 2010, the SSE 180 Index and the SSE 50 Index in January 2011, respectively. In addition, we were selected as one of the constituent stocks of the SSE Corporate Governance 180 Index in July 2011. Through over 24 years of operating history, we have become a leading integrated securities group in the PRC. As of March 31, 2015, we set up 29 regional head offices and operated 245 securities branches and 31 futures branches located in 30 provinces in China.

We have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 16, 2014 under our English corporate name "Huatai Securities Co., Ltd." and Chinese corporate name "華泰證券股份有限公司". On April 9, 2015, we were served a notice under section 780 of the Companies Ordinance in respect of our Chinese corporate name registered under Part 16 of the Companies Ordinance, which was, in view of the Registrar of Companies, "too like" that of the Chinese name already existed in the index of names kept by the Registrar of Companies. We applied for, and the Registrar of Companies approved, "華泰六八八六股份有限公司" as our Chinese corporate name approved pursuant to section 782 of the Companies Ordinance, which was registered with the Registrar of Companies on May 11, 2015.

Major Increase in Share Capital

Upon our establishment on April 9, 1991, our registered capital was RMB10,000,000.

In April 1998, we increased our registered capital to RMB404,000,000.

In January 1999, we increased our registered capital to RMB828,000,000.

In December 1999, we increased our registered capital to RMB850,320,000.

In May 2002, we increased our registered capital to RMB2,200,000,000.

In December 2007, we increased our registered capital to RMB4,500,000,000.

In July 2009, we increased our registered capital to RMB4,815,438,725.

On February 26, 2010, following completion of our A Shares offering, our registered capital was RMB5,600,000,000.

Listing on the Shanghai Stock Exchange in 2010

As approved by the CSRC, our Company completed the initial public offering of our A Shares which were issued at an offer price of RMB20.0 per A Share under the A Shares Offering, and our A Shares have been listed on the Shanghai Stock Exchange under stock code 601688 since February 26, 2010. Following completion of the A Shares Offering, our Company's registered capital was increased to RMB5,600,000,000 comprising 5,600,000,000 A Shares of RMB1.00 each. Our Company raised net proceeds of approximately RMB15.5 billion from the A Shares offering after deducting underwriting commission and offering related expenses.

The shareholding structure of our Company immediately after the A Shares offering was as follows:

	Number of A Shares Held	Approximate % of Shareholding
Jiangsu Guoxin Investment Group Limited (江蘇省國信資產管理集團有限公司)	1,367,687,495	24.4230%
Jiangsu Communications Holding Company Limited (江蘇交通控股有限公司)	475,819,370	8.4968%
Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團有限公司)	439,588,150	7.8498%
Govtor Capital Group Co., Ltd. (江蘇高科技投資集團有限公司)	426,096,799	7.6089%
Guohua Energy Investment Co., Ltd. (國華能源投資有限公司)	365,048,543	6.5187%
Jiangsu Textile Group Co., Ltd. (江蘇省絲綢集團有限公司) (currently known as Jiangsu SOHO Holdings Group Co, Ltd. (江蘇省蘇豪控股集團有限公司))	341,418,259	6.0968%
Other Shareholders	2,184,341,384	39.006%
Total	**5,600,000,000**	100%

As of the Latest Practicable Date, our Company had not received any notice from the Shanghai Stock Exchange alleging any non-compliance incidents on the part of our Company and our Directors believe that from the date our A Shares were listed on the Shanghai Stock Exchange, our Company has been operating in compliance with applicable SSE Listing Rules in all material respects.

Business Development Milestones

Since the incorporation of our Company, we evolved from a regional securities firm in Jiangsu to a national leading integrated securities group. Benefiting from the capital market reforms in the PRC, we have continuously expanded our business and services since the 21st century:

2000
- In January, we were admitted as a member of the national inter-bank market.

2001
- In May, we obtained qualification for online entrusted securities brokerage business.

2003
- In February, we obtained qualification for distributing open-end equity funds.
- In March, we obtained qualification for asset management business.

2005
- In March, we became a pilot securities firm to carry out relevant innovative activities.
- In August, we obtained qualification to underwrite short-term financing bills.

2006
- In November, we established Huatai Financial Holdings to expand overseas business.

2007
- In August, we were recognized by the Shanghai Stock Exchange as the tier-1 dealer on the integrated e-platform for fixed income securities.
- In December, we obtained the QDII qualification for overseas securities investment management business.

2008
- In March, we launched our CRM system, which is the key foundation of our customer services platform.
- In April, we obtained qualification to provide futures IB business for Great Wall Weiye Futures (currently known as Huatai Futures).
- In June, we obtained qualified investor qualification in block trade system.
- In July, we were approved by the CSRC to incorporate wholly-owned subsidiaries to engage in direct investment business, and in August, we established Huatai Zijin Investment to develop our direct investment business.

2009
- In May, we launched the Zijin Wealth Management Service system.

2010
- In February, we completed our A Shares IPO on the Shanghai Stock Exchange, raising RMB15.5 billion.
- In October, we launched the "ZhangLe Wealth Management" and "ZhangLe" mobile wealth management terminals.
- In June, we obtained qualification to participate in the pilot program of margin financing and securities lending.

2012
- In January, we obtained qualification to lease trading seats to insurance institutional investors.
- In June, we obtained permission to develop innovative brokerage deposit business and launched the "Daily Gain" asset management product.
- In August, we obtained qualification to participate in the pilot program of margin refinancing.
- In August, we obtained permission to participate in interest rate swap using our proprietary funds.
- In September, we were granted trading permission for stock repurchase by Shanghai Stock Exchange.
- In November, we were approved to engage in lead underwriting business for non-financial enterprises debt financing instruments in the inter-bank market.
- In December, we were qualified for conducting arbitrage trading using CSI 300 index-futures and obtained trading code.

2013
- In January, we were among the first batch of securities firms to be qualified for stock repurchase on the Shenzhen Stock Exchange.
- In January, we were licensed to distribute third-party financial products.
- In March, we were approved to become the lead securities firm to operate recommendation and brokerage business on the NEEQ.
- In June, we were among the first batch of securities firms to be qualified for securities-backed lending for securities listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange.
- In August, we were qualified for conducting treasury bonds futures business.

2014

- In April, we launched the fully upgraded "ZhangLe Fortune Path" mobile wealth management terminal.
- In June, we increased the issued share capital of Huatai Financial Holdings to HK$1 billion, laying foundation for expanding our business overseas.
- In July, we obtained market-making qualification on the NEEQ.
- In July, we obtained pilot market-making qualification on the national inter-bank market.
- In August, we obtained the no objection letter in relation to the trial business of financing of exercising share incentive scheme.
- In August, we were qualified to provide payment services for clients' funds.
- In September, we obtained the approval for pilot operations of Internet-based securities business.
- In September, we were qualified to provide custodian services for securities investment funds.
- In October, we obtained the OTC qualification.
- In October, we were one of the first three qualified securities firms to participate in the pilot program of the Southbound Trading Link under the Shanghai-Hong Kong Stock Connect.
- In November, we were licensed to provide agency services for gold and other precious metal spot contracts and operate proprietary business for spot gold contracts.
- In December, we were qualified to participate in the pilot program of restricted securities lending under share incentive schemes of listed companies.

2015

- In January, we were qualified for conducting the stock options market making business.
- In January, we were approved to act as the stock options trading participant by Shanghai Stock Exchange.

Strategic Acquisitions, Disposals, Mergers and Investments

Subscription for and Acquisition of equity interest in China Southern Asset Management

In December 2000, we became a shareholder of China Southern Asset Management, which was one of the largest domestic fund management companies in China incorporated in March 1998, by subscribing to a capital increase of China Southern Asset Management representing 10.0% of its equity interest. Following a series of acquisitions thereafter, we began to hold an aggregate of 45.0% equity interest in China Southern Asset Management since September 2003.

As of December 31, 2014, China Southern Asset Management had total assets under management of RMB294.5 billion, including RMB202.2 billion of mutual funds under management.

Incorporation of and Acquisition of equity interest in AIG-Huatai (currently known as Huatai-PineBridge)

We incorporated AIG-Huatai together with AIG Global Investment Corp., Suzhou New District Hi-tech Industrial Co., Ltd. (蘇州高新技術產業股份有限公司) and other shareholders in 2004 and held

33.0% of its equity interest. In June 2005, we acquired a further of 16.0% equity interest in AIG-Huatai, following which, we held 49.0% equity interest in AIG-Huatai.

In April 2010, AIG-Huatai was renamed as Huatai-PineBridge. As of December 31, 2014, Huatai-PineBridge had total assets under management of RMB61.3 billion, including RMB60.1 billion of mutual funds under management.

Entrustment and acquisition of securities branches of Asia Securities

In April 2005, pursuant to the request of the CSRC, we were entrusted with the brokerage business and the underlying securities branches and service branches of Asia Securities and subsequently acquired the aforementioned assets.

Acquisition of Huatai United

In May 2006, we entered into an agreement to subscribe for 70.0% equity interest in United Securities Co., Ltd. ("United Securities", the predecessor of Huatai United) at the aggregate subscription price of RMB700.0 million. Between 2007 and early 2009, we had further acquired an aggregate of 1.74% equity interest in United Securities through judicial sales and auction sales via the Shanghai United Assets and Equity Exchange.

In August 2009, we acquired 25.68886% equity interest in United Securities by way of issuing consideration shares of our Company to the then existing 23 shareholders of United Securities at an exchange ratio of 1 share of the Company for RMB1.16 of the capital contribution in United Securities. Immediately following the aforementioned share swap, we held 97.42886% equity interest in United Securities, which was subsequently renamed as Huatai United Securities Co., Ltd. As a result of the aforementioned transactions and the subsequent business restructuring, Huatai United has become our platform for investment banking business and we believe that "Huatai United" is the most competitive investment banking brand in the PRC M&A advisory market. Through a series of further equity transfers and judicial sales, we held 98.576% equity interest in Huatai United as of the Latest Practicable Date.

Acquisition of Huatai Futures

In September 2006, we acquired 15% equity interest in Great Wall Weiye Futures (currently known as Huatai Futures) at a consideration of RMB6.41 million from Guangdong Huafu Investment Holding Co., Ltd. (廣東華孚投資控股有限公司), then an independent third party and subscribed for the newly issued registered capital of Great Wall Weiye Futures at an aggregate subscription price of RMB20 million which increased our total shareholding percentage in Great Wall Weiye Futures to 49.0%. In October 2007, we further acquired 9.0% and 2.0% equity interest in Great Wall Weiye Futures from Shanghai Changxin Financial Advisor Co., Ltd. (上海長信財務顧問公司), an Independent Third Party, at a consideration of RMB6.075 million and from Xintai Securities at a consideration of RMB1.42 million, respectively. Following the aforementioned acquisitions, we held 60.0% equity interest in Huatai Futures.

As of December 31, 2014, Huatai Futures was one of the largest futures companies in China, with 31 branches.

Establishment of Huatai Financial Holdings

In November 2006, we established Huatai Financial Holdings. This marked our first step in expanding our overseas business.

As of the Latest Practicable Date, Huatai Financial Holdings has obtained a Type 1 license for dealing in securities, a Type 2 license for dealing in futures contracts, a Type 4 license for advising on securities, a Type 6 license for advising on corporate finance and a Type 9 license for asset management under the SFO.

Investment in Bank of Jiangsu

In January 2007, we acquired 6.37% equity interest in Bank of Jiangsu through subscription for new shares at a consideration of RMB600 million. As of the Latest Practicable Date, we held 6.16% equity interest in Bank of Jiangsu.

Investment in Shanghai Financial Development Investment Fund

We subscribed for 11.1% equity interest in Shanghai Financial Development Investment Fund (上海金融發展投資基金) which was established in March 2011 and managed by GP Capital Co., Ltd. The total committed fund size is RMB9,000.0 million. The fund mainly invests in financial, advanced manufacturing, pharmaceuticals, energy conservation and environment protection, consumer and cultural media industries. As of December 31, 2014, our capital subscription to Shanghai Financial Development Investment Fund amounted to RMB800.0 million.

Acquisition of and Merger with Xintai Securities

In January 2008, we acquired 38.85% and 41.27% equity interest in Xintai Securities from Jiangsu Guoxin, our substantial shareholder, and its associate Jiangsu International Trust Corporation Limited (江蘇省國際信託投資有限公司), respectively, at a total consideration of RMB2.001 billion. In June 2009, after further acquiring the remaining equity interest of Xintai Securities held by the 4 then existing shareholder by issuing 93,984,961 consideration shares and cash of RMB99 million, we completed a merger with Xintai Securities by absorption pursuant to which our Company remained the surviving entity whereas Xintai Securities was deregistered following the merger.

Disposal of Suwu Futures

As a result of the merger with Xintai Securities, our Company ended up holding 58.5% equity interest in Jiangsu Suwu Futures Brokerage Co., Ltd. (江蘇蘇物期貨經紀有限公司) (currently known as Jintai Futures Co., Ltd. (錦泰期貨有限公司) ("Jintai Futures")). As approved by CSRC, we disposed of our entire equity interest in Jintai Futures to three transferees who later became associates of Jiangsu Guoxin, our substantial Shareholder, at an aggregate consideration of RMB35.802 million in September 2009.

At the time of the initial public offering of our A Shares, pursuant to the requirements of CSRC, our then single largest shareholder, Jiangsu Guoxin had entered into a letter of undertaking in favor of us, under which Jiangsu Guoxin undertakes it and its subsidiaries or enterprises will not at any time participate or engage in any business which is in competition with our business operation, and shall refer to us any business opportunity in which it or its subsidiaries may participate, engage or invest and such business opportunity may be in competition with our principal business.

As a result of the restructuring of Jiangsu Guoxin by Jiangsu SASAC, Jiangsu Guoxin became the controlling shareholder of Jintai Futures. Despite that both Huatai Futures and Jintai Futures engage in the futures business, there has not been any material competition between their respective businesses on the basis that (i) Huatai Futures and Jintai Futures have different strategic positioning, number and geographic location of branches: Huatai Futures is a nation-wide futures company having branches across 17 provinces in the PRC; whereas Jintai Futures is a regional futures company focusing primarily on developing the business in Jiangsu Province; (ii) Huatai Futures and Jintai Futures have different operational focus: Huatai Futures engages in both commodity and financial futures business with more emphasis on financial futures; whereas Jintai Futures has placed its business focus on commodity futures business; and (iii) Huatai Futures and Jintai Futures have different financial strengths and market competitiveness. Therefore, such overlapping business would not materially impact the business development and interest of the public shareholders of the Company and it would be practically difficult for Jiangsu Guoxin to perform the obligations under the original letter of undertaking in relation to Jintai Futures. Jiangsu Guoxin and us had resolved to solve the issue by Jiangsu Guoxin executing a new non-competition and conflict of interest undertaking the terms of which are substantially similar to those in the previous undertaking, except that Jintai Futures is excluded and exempted from such undertakings. The Board approved the above solution on June 10, 2014 and the then independent non-executive Directors of our Company expressed their independent opinion that the solution of re-entry the new non-competition and conflict of interest undertaking was in line with the relevant requirements of the CSRC and the review and approval procedures in relation to such solution complied with the relevant laws and regulations as well as the Articles, and therefore consented to the solution intended to address the overlapping futures business issue between Jiangsu Guoxin and our Company. The independent Shareholders of our Company approved the solution at the Shareholders' meeting on June 26, 2014.

Major Acquisitions or Disposals during the Track Record Period

During the Track Record Period, our Company did not have any major acquisitions or disposals.

OUR PRINCIPAL SUBSIDIARIES

As of the Latest Practicable Date, we have 24 subsidiaries, including seven subsidiaries that are directly owned by us and 17 subsidiaries that are indirectly held. See the section headed "Appendix I—Accountants' Report—II. Notes to the Financial Information—23. Investments in Subsidiaries" in this prospectus for details of the subsidiaries which principally affected the results, assets or liabilities of us. The following chart sets out the detailed information of our seven principal subsidiaries as of the Latest Practicable Date.

No.	Name of Subsidiaries directly held by our Company	Place of Incorporation	Date of incorporation	Registered Capital	Shareholding of our Company	Main scope of Business
1.	Huatai United Securities Co., Ltd	PRC	September 5, 1997	RMB1,000,000,000	98.576%	Securities underwriting, sponsorship and financial advisory to securities investment and trading related activities
2.	Huatai Futures Co., Ltd	PRC	July 10, 1995	RMB809,000,000	60%	Commodities futures brokerage, financial futures brokerage, futures investment consultancy and asset management
3.	Huatai Financial Holdings (Hong Kong) Limited	Hong Kong	November 23, 2006	HK$1,000,000,000	100%	Global equity trading, bonds trading, futures trading, corporate finance, investment consultancy and asset management
4.	Huatai Zijin Investment Co., Ltd	PRC	August 12, 2008	RMB1,100,000,000	100%	Equity investment or equity-linked bonds investment, investment consultancy or financial advisor
5.	Jiangsu Equity Exchange Co., Ltd	PRC	July 4, 2013	RMB200,000,000	52%	Listing, registration, entrustment, transfer and settlement of the shares of unlisted corporations
6.	Huatai Innovation Investment Co., Ltd	PRC	November 21, 2013	RMB500,000,000	100%	Project investment, investment management, asset investment, investment consultancy, financial advisor
7.	Huatai Securities (Shanghai) Asset Management Co., Ltd	PRC	October 16, 2014	RMB300,000,000	100%	Securities asset management

OUR CORPORATE STRUCTURE

As of December 31, 2014, we had 175,208 A Shareholders. Jiangsu Guoxin has been the Company's single largest shareholder throughout the Track Record Period. The following table sets forth the shareholding structure of our Company as of December 31, 2014:

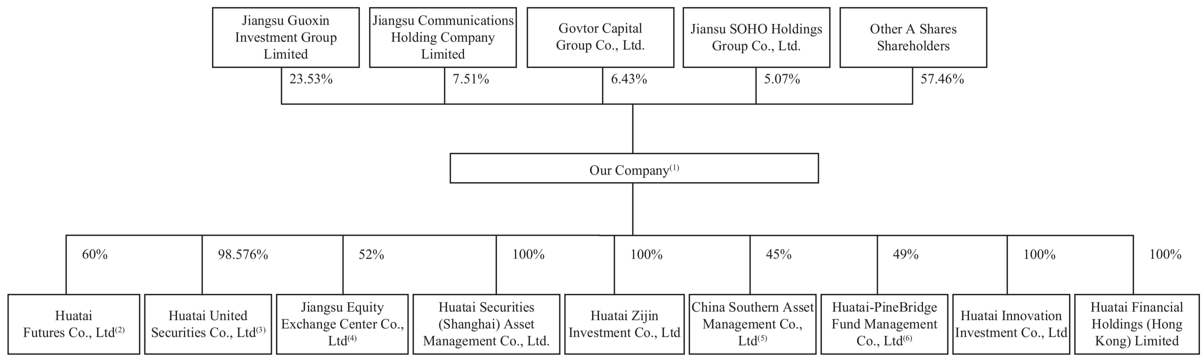
	Type of Shares	Number of Shares held	Approximate % of Shareholding
Jiangsu Guoxin Investment Group Limited	A Shares	1,337,687,431	23.89%
Jiangsu Communications Holding Company Limited	A Shares	391,339,370	6.99%
Govtor Capital Group Co., Ltd.	A Shares	360,000,000	6.43%
Jiangsu SOHO Holdings Group Co., Ltd.	A Shares	292,184,864	5.22%
Other A Shares shareholders	A Shares	3,218,788,335	57.47%
Total		**5,600,000,000**	**100%**

Reasons for the Listing

Our Company is seeking a listing on the Hong Kong Stock Exchange in order to utilize the overseas financing platform to enhance our Company's comprehensive competitive strengths, satisfy our capital need for business development and continue with our international business expansion, as described in more detail in the sections headed "Business—Business Strategies" and "Future Plans and Use of Proceeds" in this prospectus.

Shareholding Structure prior to the Global Offering

The following chart sets forth our simplified shareholding structure and key subsidiaries and affiliates as of the Latest Practicable Date.



(1) The top ten shareholders of our Company are Jiangsu Guoxin, Jiangsu Communications Holding Company Limited, Govtor Capital Group Co., Ltd., Jiangsu SOHO Holdings Group Co., Ltd., Jiangsu High Hope International Group, Jiangsu Hongtu High Technology Co., Ltd. (江蘇宏圖高科技股份有限公司), Jiangsu SOHO International Group Corporation (江蘇蘇豪國際集團股份有限公司), Jincheng Group Limited (金城集團有限公司), Guohua Energy Investment Co., Ltd. and ICBC—SWS MU SYWG Securities Industry Index Classification Securities Investment Fund (中國工商銀行股份有限公司—申萬菱信申銀萬國證券行業指數分級證券投資基金). As of the Latest Practicable Date, to the Directors' best knowledge, six of our ten largest shareholders are controlled by Jiangsu SASAC, namely, Jiangsu Guoxin, Jiangsu Communications Holding Company Limited, Govtor Capital Group Co., Ltd., Jiangsu SOHO Holdings Group Co., Ltd., Jiangsu High Hope International Group and Jiangsu SOHO International Group Corporation, and such shareholders hold an aggregate of approximately 49.03% shareholding in the Company. However, under the Hong Kong Listing Rules, a PRC Governmental Body as defined under Rule 19A.04 such as Jiangsu SASAC is normally not considered as a Connected Person or a controlling shareholder of a PRC issuer.

(2) The remaining 40% equity interest in Huatai Futures is held by Deluxe Family Co., Ltd. (華麗家族股份有限公司), an Independent Third Party (other than being shareholder of our subsidiary).

(3) The remaining 1.424% equity interest in Huatai United is held by Xiamen Jianchang Property Developing Co., Ltd. (廈門建昌房地產開發有限公司) (0.62%), China Great Wall Computer Group Company Limited (中國長城計算機集團公司) (0.27%) (both of the above have been transferred to us but subject to completion of registration), China Nuclear Energy Industry Corporation (中國原子能工業有限公司) (0.20%), China Eastern Air Holding Company (中國東方航空集團公司) (0.08%) and Huacheng Investment Management Co., Ltd. (華誠投資管理有限公司) (0.25%), each of which is an Independent Third Party (other than being Shareholder of our subsidiary).

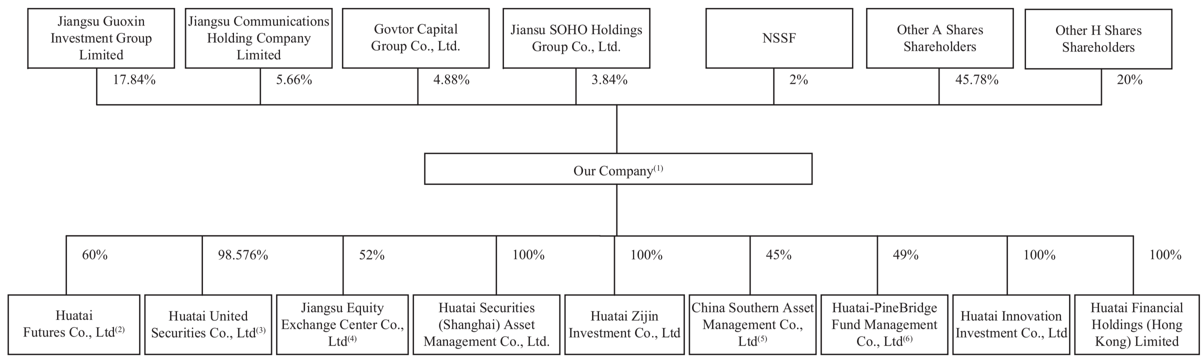
(4) The remaining 48% equity interest in Jiangsu Equity Exchange is held as to 12% by each of Soochow Securities Co., Ltd. (東吳證券股份有限公司), Guolian Securities Co., Ltd. (國聯證券股份有限公司), Donghai Securities Co., Ltd. (東海證券股份有限公司) and Nanjing Securities Co., Ltd. (南京證券股份有限公司), each of which is an Independent Third Party (other than being Shareholder of our subsidiary), respectively.

(5) The remaining 55% equity interest in Southern Fund is held as to 30% by Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司), as to 15% by Xiamen International Trust Co., Ltd. (廈門國際信託有限公司) and as to 10% by Industrial Securities Co., Ltd (興業證券股份有限公司), each of which is an Independent Third Parties (other than being Shareholder of our subsidiary), respectively.

(6) The remaining 51% equity interest in Huatai-PineBridge is held as to 49% by PineBridge Investments LLC and as to 2% by Suzhou New District High-Tech Industrial Co., Ltd (蘇州新區高新技術產業股份有限公司), each of which is an Independent Third Party (other than being Shareholder of our subsidiary), respectively.

Shareholding Structure immediately following completion of the Global Offering

The following chart sets forth our simplified shareholding structure and key subsidiaries and affiliates immediately following completion of the Global Offering, on the assumption that: (1) the Over-allotment Option is not exercised; (2) there is no change in shareholding held by each of our existing Shareholders subsequent to the Latest Practicable Date other than the conversion and transfer of the state-owned A Shares to NSSF immediately after completion of the Global Offering (see "Share Capital—Share Capital—Upon Completion of the Global Offering" for more details).



(1) The top ten shareholders of our Company are Jiangsu Guoxin, Jiangsu Communications Holding Company Limited, Govtor Capital Group Co., Ltd., Jiangsu SOHO Holdings Group Co., Ltd., Jiangsu High Hope International Group, Jiangsu Hongtu High Technology Co., Ltd. (江蘇宏圖高科技股份有限公司), Jiangsu SOHO International Group Corporation (江蘇蘇豪國際集團股份有限公司), Jincheng Group Limited (金城集團有限公司), Guohua Energy Investment Co., Ltd. and ICBC—SWS MU SYWG Securities Industry Index Classification Securities Investment Fund 中國工商銀行股份有限公司—申萬菱信申銀萬國證券行業指數分級證券投資基金. As of the Latest Practicable Date, to the Directors' best knowledge, six of our ten largest shareholders are controlled by Jiangsu SASAC, namely, Jiangsu Guoxin, Jiangsu Communications Holding Company Limited, Govtor Capital Group Co., Ltd., Jiangsu SOHO Holdings Group Co., Ltd., Jiangsu High Hope International Group and Jiangsu SOHO International Group Corporation, and such shareholders hold an aggregate of approximately 37.13% shareholding in the Company. However, under the Hong Kong Listing Rules, a PRC Governmental Body as defined under Rule 19A.04 such as Jiangsu SASAC is normally not considered as a Connected Person or a controlling shareholder of a PRC issuer.

(2) The remaining 40% equity interest in Huatai Futures is held by Deluxe Family Co., Ltd. (華麗家族股份有限公司), an Independent Third Party (other than being shareholder of our subsidiary).

(3) The remaining 1.424% equity interest in Huatai United is held by Xiamen Jianchang Property Developing Co., Ltd. (廈門建昌房地產開發有限公司) (0.62%), China Great Wall Computer Group Company Limited (中國長城計算機集團公司) (0.27%) (both of the above have been transferred to us but subject to completion of registration), China Nuclear Energy Industry Corporation (中國原子能工業有限公司) (0.20%), China Eastern Air Holding Company (中國東方航空集團公司) (0.08%) and Huacheng Investment Management Co., Ltd. (華誠投資管理有限公司) (0.25%), each of which is an Independent Third Party (other than being Shareholder of our subsidiary).

(4) The remaining 48% equity interest in Jiangsu Equity Exchange is held as to 12% by each of Soochow Securities Co., Ltd. (東吳證券股份有限公司), Guolian Securities Co., Ltd. (國聯證券股份有限公司), Donghai Securities Co., Ltd. (東海證券股份有限公司) and Nanjing Securities Co., Ltd. (南京證券股份有限公司), each of which is an Independent Third Parties (other than being Shareholder of our subsidiary), respectively.

(5) The remaining 55% equity interest in Southern Fund is held as to 30% by Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司), as to 15% by Xiamen International Trust Co., Ltd. (廈門國際信託有限公司) and as to 10% by Industrial Securities Co., Ltd (興業證券股份有限公司), each of which is an Independent Third Party (other than being Shareholder of our subsidiary), respectively.

(6) The remaining 51% equity interest in Huatai-PineBridge is held as to 49% by PineBridge Investments LLC and as to 2% by Suzhou New District High-Tech Industrial Co., Ltd (蘇州新區高新技術產業股份有限公司), each of which is an Independent Third Party (other than being Shareholder of our subsidiary), respectively.

OVERVIEW

We are a leading integrated securities group in China, with a substantial customer base, a leading e-Platform and a highly collaborative full-service business franchise. According to Wind Info, we ranked No. 4 among all securities firms in China in terms of both total assets and net assets as of December 31, 2014. According to Wind Info, we ranked No. 5 and No. 6, respectively, among all securities firms in China in terms of total revenue and net profit in 2014.

We primarily provide the following services to individual, institutional and corporate clients:

Brokerage and Wealth Management	Investment Banking	Asset Management	Investment and Trading	Overseas Business
Securities and futures brokerage	Financial advisory	Collective asset management	Equity investment and trading	Investment banking
Sales of financial products	Equity underwriting	Targeted asset management	Fixed-income securities investment and trading	Sales and trading
Institutional sales and research	Debt underwriting	Specialized asset management	OTC financial products and trading	Asset management
Capital-based intermediary businesses	OTC business	Private equity funds management mutual funds management		

Over our 24 years of operating history, we achieved rapid growth by successfully capitalizing on the transformation and development opportunities of the PRC securities industry. We completed a series of successful mergers and acquisitions and our A-Share IPO, and navigated through various market and business cycles, financial crises and regulatory reforms. We outperformed our competitors through strategic transitions to achieve market-leading positions in multiple business lines. According to Wind Info, we ranked No. 1 in terms of brokerage trading volume of stocks and funds in the PRC securities industry in both 2014 and the three months ended March 31, 2015; and the balance of our margin loans and securities lent ranked No. 2 in the PRC securities industry as of both December 31, 2014 and March 31, 2015. In addition, according to Mergermarket, in terms of the number of domestic M&A advised by us, we ranked No. 1 in the PRC securities industry in 2013, 2014 and the three months ended March 31, 2015; and the AUM of our collective asset management schemes ranked No. 2 in the PRC securities industry as of December 31, 2014.

Since 2007, we have started to undertake strategic transitions in our distribution platform as well as business and services models. In 2011, we initiated a full-service business strategy that is led by investment banking, underpinned by brokerage and wealth management and supported by asset management as well as investment and trading. We expect that such strategy requires years to be fully implemented and will improve our business mix and operating results over time. During the Track Record Period, we established an industry-leading e-Platform to provide standardized services to our customers effectively and cost-efficiently and achieved streamlined and centralized operation of our securities branch network. These efforts enabled us to proactively reduce our brokerage commission rate and expand our customer base rapidly. We have upgraded the functionality of our securities branch network to focus on providing customized value-added services to our affluent, high net-worth, institutional and corporate clients, which enabled us to optimize our customer mix. By doing so, we have achieved a strong retail client base and leading positions in our brokerage and wealth management business. We also endeavored to redirect the focus of our substantial brokerage clients from commission-based brokerage businesses to capital-based intermediary, wealth management and asset management products and services, which enabled us to optimize our revenue mix. In addition, our long-term dedication to the M&A advisory business has enabled us to build top M&A advisory capabilities in China and contributed to our premier full-service investment banking franchise. We have been able to select emerging clients in strategic industries and to offer customized investment banking solutions to our corporate clients covering their entire development stages and to focus on increasing synergies among our brokerage and wealth management, investment banking and asset management business lines. To further enhance our corporate and institutional client base and achieve a more balanced revenue and business mix, we will continue to implement our full-service business strategy which is led by investment banking to expand our corporate and institutional client base because a strategically-positioned investment banking business enables us to deliver a variety of financing and investment solutions to high-quality corporate and institutional clients and allows us to maximize synergies among our various business lines. We also consider our asset management and investment and trading businesses will be two main driving factors for innovation and growth, which we expect will continue to bring us new business opportunities while growing our revenue and profit.

We experienced rapid growth in income and profit and improved revenue mix during the Track Record Period. Our total revenue and other income increased from RMB7,011.3 million in 2012 to RMB15,978.5 million in 2014. Our profit for the year increased from RMB1,663.3 million in 2012 to RMB4,539.8 million in 2014, and our net margin increased from 23.7% in 2012 to 28.4% in 2014. Interest income from our capital-based intermediary businesses (including margin financing and securities lending, securities-backed lending and stock repurchase) accounted for 27.6% of the segment revenue and other income from our brokerage and wealth management business in 2014, increasing from 8.7% in 2012. Segment revenue and other income from our asset management business accounted for 8.6% of our total revenue and other income in 2014, increasing from 1.7% in 2012.

In recognition of our outstanding business performance, we have received a number of awards in our various business lines, including among others:

Year	Awards	Organizers/Media
2014	Best Securities Broker in China (中國最佳證券經紀商)	Shanghai Securities News (上海證券報) and Securities Times (證券時報)
	Best Internet-based Securities Firm in China in 2014 (2014中國最佳互聯網證券公司)	Securities Times (證券時報)
	Best Margin Financing and Securities Lending Broker in China (中國最佳融資融券證券經紀商)	Shanghai Securities News (上海證券報)
	Most Promising Investment Bank in China (中國區最具成長性投行)	Securities Times (證券時報)
	Most Innovative Investment Bank (最具創新能力投行)	New Fortune (新財富)
	Best Investment Bank in China (本土最佳投行)	New Fortune (新財富)
	Best Financial Advisory Team in China (中國區最佳財務顧問項目團隊)	Securities Times (證券時報)
	Best Asset Management Business among Securities Firms in China (中國最佳資產管理券商)	Securities Times (證券時報)
	Asset Manager of a Golden Bull Securities Firm (金牛券商集合資產管理人)	China Securities (中國證券報)

Year	Awards	Organizers/Media
2013	Best Securities Broker in China (中國最佳證券經紀商)	Shanghai Securities News (上海證券報) and Securities Times (證券時報)
	Best Internet Financial Enterprise in China (中國最佳互聯網金融企業)	Securities Times (證券時報)
	Best Margin Financing and Securities Lending Securities Firm in China (中國最佳融資融券券商)	Securities Times (證券時報)
	Most Promising Investment Bank in China (中國區最具成長性投行)	Securities Times (證券時報)
	Best Investment Bank in China (本土最佳投行)	New Fortune (新財富)
	Asset Manager of a Golden Bull Securities Firm (金牛券商集合資產管理人)	China Securities (中國證券報)
2012	Best Securities Broker in China (中國最佳證券經紀商)	Shanghai Securities News (上海證券報) and Securities Times (證券時報)
	Best Sponsor Institution Award in 2011 (2011 年度最佳保薦機構獎)	Shenzhen Stock Exchange

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

Leading integrated securities group in China and a pioneer amid industry transformation

We are a leading integrated securities group in China. According to Wind Info, we ranked No. 4 among all PRC securities firms in terms of both total assets and net assets as of December 31, 2014, and ranked No. 5 in terms of revenue in 2014.

From 2003 to 2007, through a series of mergers and acquisitions, we have grown from a regional securities firm to a full-service national securities group:

- *Securities brokerage*: we completed the acquisitions of Asia Securities, United Securities and Xintai Securities in 2005, 2006 and 2008, respectively, through which we expanded our customer base and business scale;
- *Futures brokerage*: we acquired Great Wall Weiye Futures in 2006 (renamed as "Huatai Great Wall Futures" in 2010 and subsequently renamed as "Huatai Futures" in 2015), expanding our business to futures brokerage;
- *Asset management business*: we became the largest shareholder of China Southern Asset Management in 2003 and established AIG-Huatai (renamed as "Huatai-PineBridge" in 2010) in 2004, to manage mutual funds;
- *Overseas business*: we established Huatai Financial Holdings in Hong Kong in 2006 to better serve our customers' cross-border financial needs; and
- In 2006, we acquired a minority interest in Bank of Jiangsu Co., Ltd. to explore potential strategic cooperation opportunities between commercial banking and securities business.

Since 2007, we have been undertaking strategic transitions in various business lines through reforms and innovation:

- *Business innovation*: In 2011, we initiated our full-service business strategy that is led by investment banking, underpinned by brokerage and wealth management and supported by asset management as well as investment and trading. By capturing industry opportunities, we have timely launched multiple new businesses and products, including capital-based intermediary businesses (principally margin financing and securities lending), sales of financial products, prime brokerage, OTC business and private equity fund management.

- *Services transition*: In 2007, we established our CRM system to perform "big data" analytics of client trading behavior. In 2010, we launched a mobile wealth management terminal "ZhangLe" (漲樂), moving into the mobile-based securities business. In 2013, we were among the first batch of securities firms approved to offer online securities account opening services. In recent years, we have enhanced the functionality of our e-Platform and branch network for meeting our clients' needs for standardized or customized services.
- *Expanded financing channels*: In 2010, we were listed on the Shanghai Stock Exchange; and in 2014, we completed our first issue of US dollar-denominated bonds offshore through Huatai Financial Holdings. In recent years, we have increased our financial leverage through short-term commercial papers, corporate bonds and subordinated bonds to meet the fast-growing customer needs for capital-based intermediary services and products.

We believe that, benefiting from a clear and visionary business strategy, we have successfully optimized our customer and business mix:

- The number of our brokerage customers increased from approximately 5.9 million as of December 31, 2012 to over 6.5 million as of December 31, 2014 and further to over 6.8 million as of March 31, 2015. During the same period, the total number of our affluent, high net-worth, institutional and corporate clients increased by 128.3%.
- The revenue mix of our brokerage and wealth management business continued to improve. Fee and commission income from our securities brokerage business as a percentage of our segment revenue and other income from brokerage and wealth management business decreased from 68.6% in 2012 to 61.6% in 2014. Interest income from our capital-based intermediary businesses as a percentage of our segment revenue and other income from brokerage and wealth management business increased from 8.7% in 2012 to 27.6% in 2014.
- The revenue mix of our investment banking business continued to improve. Fee and commission income from financial advisory business contributed to 29.5% of our segment revenue and other income from investment banking business in 2014, increasing from 12.3% in 2012.

We have outperformed competitors through strategic transitions to achieve leading market positions in multiple business lines:

- In 2012, 2013 and 2014 and the three months ended March 31, 2015, our brokerage trading volume of stocks and funds ranked No. 2, No. 2, No. 1 and No. 1, respectively; as of December 31, 2012, 2013 and 2014 and March 31, 2015, the balance of our margin loans and securities lent ranked No. 4, No. 6, No. 2 and No. 2, respectively;
- According to Mergermarket, in terms of the number of domestic M&A advised by us, we ranked No. 1 in 2013, 2014 and the three months ended March 31, 2015, in the industry;

- In 2012, 2013 and 2014 and the three months ended March 31, 2015, in terms of the number of M&A approved by the CSRC and advised by us, we ranked No. 1 in the industry. We also ranked No. 1 in terms of transaction value of CSRC-approved M&A advised by us in 2014 and net revenue from our M&A advisory business among A share listed securities firms in China in 2014;
- As of March 31, 2015, we had acted as the sponsor and lead underwriter for 55 IPOs on China's SME Board since its inception in 2004, ranking No. 3 among PRC securities firms; as of March 31, 2015, we had acted as the sponsor and lead underwriter for 19 IPOs on the ChiNext Board since its inception in 2009, ranking No. 5 among PRC securities firms;
- Among all the securities firms in China, the ranking of our debt underwriting business increased from No. 18 in 2012 to No. 9 in 2014 in terms of the total amount of debt securities underwritten, according to Wind Info; and;
- As of December 31, 2013 and 2014, the AUM of our collective asset management schemes ranked No. 3 and No. 2, respectively, in the industry; and the net revenue from our asset management business ranked No. 5 and No. 3 in 2013 and 2014, respectively, in the industry.

The largest securities brokerage business in the PRC with leading integrated financial services capabilities

We have the largest securities brokerage business in the PRC. In both 2014 and the three months ended March 31, 2015, our brokerage trading volume of stocks and funds ranked No. 1 among all PRC securities firms, accounting for 7.9% and 8.3% of the total market share, respectively. As of March 31, 2015, the number of our securities brokerage accounts was the largest among all PRC securities firms. According to Wind Info, as of March 31, 2015, the balance of our margin loans and securities lent ranked No. 2 in the PRC securities industry, accounting for 6.4% of the total market share. As our margin financing and securities lending business expanded, our interest income from capital-based intermediary businesses accounted for 27.6% of our segment revenue and other income from the brokerage and wealth management business in 2014, increasing from 8.7% in 2012. As of March 31, 2015, the market value of securities entrusted by our clients totaled RMB2,060.5 billion, ranking No. 3 in the PRC securities industry.

As of March 31, 2015, we had over 6.8 million customers in our brokerage business, including approximately 6.4 million retail clients, 0.4 million affluent clients, 19,860 high net-worth clients and over 24,000 institutional and corporate clients. We offer an extensive range of standardized products and services to all clients through our e-Platform. Meanwhile, we focus on serving the needs of our affluent clients, high net-worth clients and institutional and corporate clients through our branch network by providing them with customized and integrated financial services. As of March 31, 2015, we had 245 securities branches and 31 futures branches. Our branch network is distributed across 30 provinces in China, with over two-thirds of our securities branches strategically located in the economically-developed regions, such as the Yangtze River Delta, the Pearl River Delta and the Bohai Rim. Our securities branches were upgraded from traditional brokerage service counters to a full-service platform that is focusing on providing wealth management services to affluent and high net-worth clients, aggregating product resource to satisfy the diverse clients' needs and attracting new clients for all business lines by leveraging local resources.

We are committed to offering integrated financial services and increasing the customer penetration of our wealth management and capital-based intermediary products. Based on clients' needs, we offer extensive wealth management services and provide varying service packages with different value-added investment research and up-to-date market information. We sell over 1,900 financial products through our e-Platform and branch network. In addition, our capital-based intermediary businesses experienced rapid growth. As of March 31, 2015, the balance of our margin loans and securities lent and the total balance of our securities-backed lending and stock repurchases was RMB95.8 billion and RMB18.9 billion, respectively.

In recent years, our customer mix has improved due to our proven ability to provide products and services that are customized around the needs of affluent clients, high net-worth clients and institutional and corporate clients. The aggregate number of our affluent clients, high net-worth clients and institutional and corporate clients as a percentage of our total brokerage and wealth management client increased from 3.5% in 2012 to 5.6% in 2014, and further increased to 7.0% for the three months ended March 31, 2015; their account balance with us as a percentage of the total account balance of our brokerage and wealth management clients increased from 87.4% in 2012 to 91.9% in 2014, and further increased to 93.3% for the three months ended March 31, 2015; and their contributions (including fee and commission income and interest income) to our segment revenue and other income from brokerage and wealth management business increased from 50.7% in 2012 to 72.0% in 2014, and further increased to 77.8% for the three months ended March 31, 2015.

Advanced industry-leading e-Platform with outstanding customer experience and operating efficiency

We are one of the pioneers in the PRC securities industry in bringing brokerage and wealth management business online. We believe we have an industry-leading e-Platform in terms of the number of client downloads, the volume of online trading, media recognition as well as user experience. We distributed standardized products and services through this e-Platform. Key milestones include:

- In 2007, we started to develop our comprehensive CRM system which greatly strengthened our ability to analyze customer data and laid out the foundation for the development of our e-Platform;
- In 2009, we formed a strategy to bring our brokerage and wealth management business online. In 2010, we foresaw the potential of mobile technology in the securities business and devoted substantial resources to the development of our mobile terminal;
- In 2010, we launched our first mobile wealth management terminal, "ZhangLe" (漲樂), and established an e-Platform available on PC terminal, mobile terminal and web-based terminal.
- In 2012, we launched "ZhangLe e-Mall" (漲樂商城), our online store for the sales of financial products and related information.
- In 2013, after the opening of securities accounts online was permitted by the CSRC, we became one of the first batch of securities firms to offer online account opening services through PC and mobile devices; and
- In April 2014, we introduced "ZhangLe Fortune Path" (漲樂財富通), a fully-upgraded version of mobile wealth management terminal.

As of March 31, 2015, our mobile apps accumulated 6.6 million downloads, of which "ZhangLe Fortune Path" received approximately 3.0 million downloads. "ZhangLe Fortune Path" ranked No.1 among mobile securities apps reviewed by Sina.com in 2014. In April 2014, we entered into a three-year strategic cooperation agreement with NetEase, a well-known portal website in China. Based on this agreement, NetEase agreed to offer marketing support on its website of 163.com to promote our brand, to refer its users to our online account opening services exclusively and to cooperate with us on resource sharing and business innovation. We have been committed to improving and upgrading our IT infrastructure, with IT-related expenditure increasing from RMB210.0 million in 2012 to RMB250.0 million in 2014.

Through our strategically-located branch network and industry-leading e-Platform, we provide customers with a combination of offline and online securities services and have been able to improve customer experience and increase customer loyalty. Our "All Counter Pass" (全櫃通) service enables our brokerage clients to transact with us at any one of our securities branches in China. In addition, our e-Platform allows customers to trade securities without the physical boundary of location or time. Our e-Platform is capable of offering a variety of services, including account opening, transaction execution, securities trading, sales of financial products, account management and information, covering our securities brokerage, capital-based intermediary and wealth management businesses. In 2014 and the three months ended March 31, 2015, the volume of stocks and funds brokerage trading executed over our e-Platform represented 93.3% and 93.7% of our total stocks and funds brokerage trading volume, respectively; and the number of clients who have traded on our mobile terminal accounted for 42.5% and 51.6% of the number of our brokerage clients who traded stocks and funds, respectively. In 2014 and the three months ended March 31, 2015, 85.0% and 96.8% of the total number of our new brokerage accounts were opened online, respectively.

As we mainly provide standardized services to clients through our e-Platform, we have been able to focus on serving affluent and high net-worth clients and providing customized services to them through our branch network. We have migrated the mid- and back-end functions of our branches, such as IT, finance, risk management and marketing planning, to our regional head offices and our headquarters, which significantly reduced the headcount and operating expenses in our branches. The number of client managers and securities brokerage agents working at our branches decreased from 6,453 as of December 31, 2012 to 4,903 as of March 31, 2015. As of March 31, 2015, we had 132 "light-touch branches" which constituted around 53.9% of our total number of securities branches.

We have been successful in maintaining our market leading position and able to achieve our No.1 market share in the brokerage trading volume of stocks and funds in 2014 due to our improved cost efficiency achieved by our e-Platform, which enabled us to proactively reduce our brokerage commission rate and rapidly expand our customer base. We believe that we will continue to enjoy a competitive advantage in the PRC securities industry based on our price competitiveness and our ability to offer integrated securities services.

Premier full-service investment banking franchise driven by the top M&A advisory capability in the PRC

We have a leading full-service investment banking business in the PRC principally through Huatai United and provide comprehensive financing and advisory services to corporate clients. Our M&A advisory capability ranked No. 1 in the industry and we achieved leading market positions in equity underwriting and debt underwriting. For over ten years of continuous effort, we have built one of the largest and most stable M&A advisory teams in the PRC. The number of our M&A advisory staff increased significantly from seven in 2004 to over 100 in 2014, among whom our executive directors or higher level employees have worked with Huatai United for, on average, over nine years. We believe that "Huatai United" is the most competitive investment banking brand in the PRC M&A advisory market, with sound brand recognition that leads the development trends in M&A transactions in China. This is evidenced by the following:

- According to Mergermarket, in terms of the number of domestic M&A advised by us, we ranked No.1 in 2013, 2014 and the three months ended March 31, 2015, in the PRC securities industry;
- In terms of the number of CSRC-approved M&A advised by us, we ranked No.1 in the PRC securities industry for three consecutive years from 2012 to 2014, and in the three months ended March 31, 2015;
- In terms of the transaction value of CSRC-approved M&A advised by us, we ranked No.1 in the PRC securities industry in 2014;
- In terms of net revenue from the M&A advisory business, we ranked No.1 among A share listed securities firms in China in 2014;
- We focus on advising M&A transactions relating to industry consolidations. During the Track Record Period and the three months ended March 31, 2015, in terms of the number of transactions, 38 of the 47 CSRC-approved M&A advised by us were relevant to industry consolidations in China; and
- Benefiting from the strong synergy of M&A advisory capability to our other investment banking product groups and our ability to provide continuous and one-stop capital market services to our clients, we won loyalty from our investment banking clients. For example, we helped Bluefocus Communication and DHC Software, with six and four capital market transactions, respectively, since their respective A share IPO.

In the past three years, our equity and debt underwriting have achieved rapid development. In terms of equity underwriting:

- Benefiting from our sector-focused business strategy and the strong synergy of our M&A advisory business, the transaction value of the follow-on offerings underwritten by us grew at a CAGR of 206.0% from 2012 to 2014, the highest growth rate among the large-scale securities firms in China with over RMB50.0 billion of total assets.
- Benefiting from our proven track record in underwriting follow-on equity offerings, our equity underwriting business grew in 2013 despite the suspension of A share IPO, and the transaction value of equity securities underwritten by us grew at a CAGR of 81.7% from 2012 to 2014.
- As of March 31, 2015, we had sponsored the listing of 55 companies on China's SME Board since its inception in 2004, ranking No. 3 among PRC securities firms; as of March 31, 2015, we had sponsored the listing of 19 companies on the ChiNext Board since its inception in 2009, ranking No. 5 among PRC securities firms.

In terms of debt underwriting:

- We have extended our client base to include major state-owned enterprises, financial institutions and private enterprises. For example, we underwrote the bond offerings by

China Yangtze Power Co., Ltd., China Railway Corporation, China Merchants Securities Co., Ltd. and Sunning Commerce Group Co., Ltd.

- Driven by our product innovation capability, we participated in the development of innovative financial products, such as collateralized loan obligations, perpetual medium-term notes, convertible private placement bonds and SME private placement bonds. In addition, we underwrote the first corporate bonds offering in the market, the bond offering by China Yangtze Power Co., Ltd.
- Benefiting from the above, the ranking of our debt underwriting business increased from No. 18 in 2012 to No. 9 in 2014 among all securities firms in the PRC, in terms of the total amount of debt securities underwritten.

Our M&A focused investment banking business has contributed to the growth of our "buy-side" business, such as private equity fund management. For example, we provided bridge financing and mezzanine financing to Bluefocus Communication for its acquisition of a PRC media company in 2013, which was the first symbolic transaction in which a securities firm provided concurrent financing and M&A advisory in the PRC capital markets. We believe that the close collaboration between our M&A focused investment banking business and our "buy-side" business, such as private equity fund management, will create a strong synergy that fulfills our client needs and enhances customer loyalty.

The PRC economy has embarked on a new phase of optimization and transformation. Along with ongoing sector consolidation, industrial upgrading as well as the mixed ownership reform, we expect PRC companies to have a more diverse access to capital markets, resulting in increased M&A activities and financing needs arising from these transactions. We believe we are well-positioned to benefit from these industry trends due to our M&A focused investment banking capability, value-oriented proposition and well-established market positions and brand name.

One of the largest comprehensive asset management businesses in the PRC securities industry with strong product innovation capabilities

Our asset management business consists of securities-firm asset management, private equity fund management and mutual funds management. As of March 31, 2015, the combined AUM of our asset management subsidiary and associated asset management companies totaled RMB773.9 billion, making us one of the largest asset managers in the PRC securities industry.

Our securities-firm asset management business grew rapidly in the Track Record Period and the three months ended March 31, 2015. The AUM of our securities-firm asset management business increased significantly from RMB51.6 billion as of December 31, 2012 to RMB345.5 billion as of December 31, 2014 and further to RMB410.2 billion as of March 31, 2015; and our market shares in terms of AUM increased from 2.6% as of December 31, 2013 to 4.4% as of December 31, 2014 and further to 4.6% as of March 31, 2015. In 2014, we ranked No. 3 in the industry in terms of the net revenue from our securities-firm asset management business. As of December 31, 2014, we ranked No. 2 in the industry in terms of the AUM of our collective asset management schemes, which totaled RMB57.8 billion. In terms of the AUM of our collective asset management schemes, our market share in the PRC securities industry increased from 6.1% as of December 31, 2013 to 11.4% as of December 31, 2014.

We believe that our deep insight into our clients' investment and financing needs, our strong product innovation and active management capabilities are the key competitive strengths of our asset management business:

- In 2012, we launched "Daily Gain" (天天發), a cash management product for customer deposits. It enables our brokerage clients to enjoy an interest rate higher than the prevailing bank demand deposit interest rate on their surplus deposits with us. As of December 31, 2014, the balance of "Daily Gain" accounted for 35.9% of the total value of our customers' deposits, which was the largest collective asset management scheme in the PRC securities industry as of December 31, 2014.
- In 2013, we introduced "Tou Rong Bao" (投融寶), an asset management product which uses client funds raised to provide securities-backed lending, to fulfill the financing needs of affluent, high net-worth and corporate clients as well as the investment needs of retail clients.
- In 2014, we developed the innovative offering of asset-backed securities by Guangzhou Chime-Long Theme Park (廣州長隆主題公園) and helped raise RMB3.2 billion to satisfy the financing needs of corporate clients and the investment needs of institutional clients.

In addition, we have raised four private equity funds with an aggregate size of RMB9.0 billion as of March 31, 2015, covering industrial funds and M&A funds. We manage our direct investment business through dedicated private equity funds because we believe such business model is in the best interest of our shareholders.

As of March 31, 2015, the AUM of China Southern Asset Management and Huatai-PineBridge, our associated fund management companies, amounted to RMB292.0 billion and RMB62.7 billion, respectively. Huatai-PineBridge is the manager of the first cross-market ETF in China, namely Huatai-PineBridge Shanghai-Shenzhen 300 ETF, which ranked No.1 in the equity ETF market in 2014 in terms of daily average trading volume. Leveraging our large-scale AUM, comprehensive business platform and strong product innovation, we believe that our asset management business is positioned to benefit from the cross-selling opportunities with our other business lines.

Comprehensive and effective risk management system, supported by advanced IT infrastructure

We have been rated "AA" by the CSRC (the highest ranking attained by PRC securities firms so far) for five consecutive years since 2010. For details of the factors taken into account by the CSRC in assigning regulatory ratings, see "Regulatory Environment." Since inception, we have not been involved in any risk-related incident that had a material adverse effect on our business operations. We focus on sustainable and stable growth which is fundamental to our corporate value. We have cultivated a sound risk culture in our business and set clear risk management objectives based on well-defined risk tolerance. Over the years, we have built a comprehensive and effective framework of risk management policies, procedures and mechanisms.

Our advanced IT infrastructure is vital for us to properly manage all categories of risks based on an enterprise-wide approach. We adopt technologies to implement our risk management policies across all business lines and management procedures while enhancing risk management efficiency. For example:

- We have established a dedicated operational risk management system to collect, analyze and monitor key risk indicators and achieved the ability to manage our operational risk on an enterprise-wide basis. We have established a mechanism to control key operating risks. For example, we have established the "Circuit Breakers" mechanism to avoid human or system errors in our investment and trading business; our mandatory "stop-loss" mechanism restricts or halts our trading activities automatically when market conditions and stock prices move significantly;

- We have established a liquidity risk management system to effectively foresee, quantify, control and report liquidity risk;
- We have integrated market risk management in our trading process, which quantifies risk exposures in our trading activities and helps us determine our key risk parameters and achieve real-time risk alerts; and
- Our CRM system enables us to categorize our clients based on credit, monitor our clients' credit and evaluate their collateral, and achieve automated adjustments of our clients' credit limit on an ongoing basis so as to mitigate credit risk in our capital-based intermediary businesses.

We believe innovation in risk management, especially relating to Internet finance, is as important as business and product innovation. We endeavor to offer the best user experience to clients within the boundary of our risk management policies. We have recruited dedicated personnel to develop our credit risk management and process management systems for Internet finance and mobile-based securities services. In addition, to minimize risk and optimize return, we have adopted a risk-adjusted approach, taking into account market, credit and liquidity risks, for evaluating the results of our investment and trading business. We also consider operational risk and control points when we evaluate the performance of our mid- and back-end functions. We believe effective risk management also depends on employee behavior and have increased employee awareness and accountability for risk management.

Visionary and experienced management team with outstanding execution and innovation capabilities supported by highly proficient workforce

Our senior management team has an average of over 20 years' management experience in the securities and financial industry and has a deep understanding of the development and characteristics of the PRC securities and financial industry. Our senior management team has remained stable which ensured the continuity of our business strategy. Mr. Wu Wanshan (吳萬善), our Chairman, has been a member of our senior management since our establishment in 1991. Mr. Zhou Yi (周易) has been our President since 2006 and has extensive experience in the IT industry and PRC capital markets before joining us. Our mid-level management team has an average of 15 years' working experience with excellent execution capability and high loyalty.

Over our 24 years of operating history, we completed a series of mergers and acquisitions based on our management team's visionary strategy and outstanding execution capabilities, and evolved from a regional securities firm to a national large-scale integrated securities group. In early 2005, we started with only 34 securities branches and achieved a nationwide presence following our acquisition of Asia Securities. We subsequently acquired two full-service securities firms in China which contributed to more effective resource sharing and enhanced our competitive advantages.

Our management team has outstanding innovative capabilities, with which they successfully seized the opportunities arising from the reforms of the PRC securities industry to advance our strategic transitions. Our management team has also contributed to our full-service business strategy, the establishment of our leading CRM system and e-Platform, promoting the centralized and scaled-down operation of our branch network, promoting our continuous innovation in business, products and services, and outperforming our competitors through strategic transitions to achieve leading market positions in multiple business lines.

We believe that we have a team of highly proficient professionals. As of March 31, 2015, 81.7% of our employees held bachelor's degrees or above and 92.3% of our employees obtained relevant professional qualifications. We adopted a market-driven remuneration structure that rewards performance and results. We also established a comprehensive professional training system that uses a combination of on-site presentation, video conference and e-learning. In addition, we sponsor key employees to attend training and exchange programs at well-known institutions or universities in China and overseas. We attribute our success to our ability to attract, incentivize and retain experienced personnel as well as to enhance their expertise, and we believe our professional workforce has been highly engaged and productive.

BUSINESS STRATEGIES

We plan to leverage our competitive advantages in the securities business to expand our full-service operations, and aim to become a leading integrated financial group with strong local advantages and a global vision. We will continue to implement our full-service business strategy that is led by investment banking, underpinned by brokerage and wealth management and supported by asset management, as well as investment and trading, that differentiates us from our competitors. We intend to strengthen our fee-based intermediary businesses, including brokerage and wealth management, investment banking and asset management, to expand customer base and business resources; actively develop capital-based intermediary businesses to contribute to profit growth; and enhance the performance of our investment and trading activities and capture innovative growth potential. In addition, we intend to prudently increase our financial leverage to enhance shareholder returns. In particular, we plan to adopt the following measures to achieve our business strategy:

Actively develop our e-Platform and continue to increase the revenue contribution from our capital-based intermediary businesses to further strengthen our leading position in the brokerage and wealth management business

Our brokerage and wealth management business and client base are our core competitive strengths and a key foundation for our other business lines. We plan to implement the following measures to maintain our leading position in the brokerage and wealth management business:

- We will actively promote the innovation of our Internet-based financial products and services, further expand the functions of our e-Platform and continue to improve customer experience. We intend to further expand our client base and provide one-stop Internet financial service to investors through our e-Platform effectively and cost-efficiently. We endeavor to offer all standardized products and services online and further improve our "big data" analytics capability to provide customized value-added services. We will strengthen the cooperation with well-known Internet companies to share business and customer resources.
- We intend to strengthen the functions of our branch network as our full-service business platform which is equipped with a team of online sales managers, wealth management

managers and full-service bankers to cater to the needs of affluent, high net-worth, institutional and corporate clients for more customized services. In addition, we plan to optimize the geographical coverage of our branch network and establish wealth management centers at strategic locations. To further reduce our operating costs, we aim to enhance centralized and streamlined management of our branch network.

- We plan to build an integrated institutional business platform by aggregating our resources of sales, trading, research, investment and financing services. We intend to actively attract institutional clients, such as public and private funds, insurance companies, securities firms, banks, QFII, social security fund management companies and corporate annuities, and expand our prime brokerage and custodian services.
- We intend to build a tiered wealth management system and expand our portfolio of financial products for sale. We will further improve our investment advisory and asset allocation capabilities for our affluent and high net-worth clients. We also plan to expand the customer penetration of our capital-based intermediary businesses through product innovation. In addition, we intend to use the net proceeds from this Global Offering and debt financing to expand the scale of our capital-based intermediary businesses and optimize revenue mix.
- We intend to continuously deploy resources in macro, strategic, industry and overseas market research to enhance our reputation and market influence. We also intend to strengthen our institutional research by expanding its service scope. In addition, we will make full use of mobile Internet technology and realize the efficient distribution and commercial use of our research work.

Further develop our investment banking business to facilitate industry consolidation, strengthen M&A market leadership and enhance comprehensive service capabilities

Leveraging the opportunities arising from the reforms of the PRC securities industry, we are committed to developing a first-class full-service investment banking business focused on client needs and industry consolidation. We aim to increase the segment revenue and market share of our investment banking business and further optimize the revenue mix of this business. In particular:

- We intend to capture the opportunities arising from the reforms of the PRC securities industry and the A share IPO reform, and establish our expertise and competitiveness in selected industries, such as TMT, healthcare, consumer, environment and new energy, as well as advanced manufacturing. We aim to advance our market-leading positions and reputation through active participation in industry consolidation, selectively developing clients with high growth potential and satisfying their financial service needs throughout their entire development cycle.
- We focus on both deal size and profitability. In addition to actively seizing landmark transactions with substantial market influence, we are also committed to undertaking innovative and high value-added transactions to improve our market share and profitability.
- We intend to consolidate and strengthen our market-leading position in M&A advisory, focusing on major industries and transactions and pursuing both quality and quantity. We will take full advantage of the synergies between M&A, financing and investment to facilitate our transition from a provider of intermediary services to a provider of capital-

based financing services. In addition, we also endeavor to enhance our cross-border M&A business through increased interaction and collaboration with our overseas business platform.

- Along with the reforms of PRC securities industry, we plan to enhance the key competitive elements, namely pricing, distribution and execution capabilities, to further increase our market share in equity underwriting. In addition, we will seize the opportunities arising from the reforms in the PRC debt market, and be dedicated to the innovation of transaction structure and products, including asset-backed securitization, perpetual medium-term notes and M&A bonds, endeavoring to achieve top-tier ranking in the industry.
- We intend to actively explore the investment and financing needs of our corporate clients and promote the cross-selling opportunities between investment banking and other business lines, such as private equity fund management and brokerage and wealth management, to generate high value-added income.
- We intend to actively develop our OTC business, cultivate our differentiated development strategy, and further enhance the innovation of Jiangsu Equity Exchange.

With the foregoing strategies, we believe new blue chip companies will emerge in the PRC capital markets among our corporate clients, and as our clients mature and succeed, so our own success in the investment banking business will follow.

Enhance our product innovation and further strengthen our active management capabilities by taking advantage of our integrated asset management business

Led by our propositions to satisfy our clients' investment and financing needs and to create value for customers, we intend to further expand our integrated asset management business through enhanced active management and increased product innovation. In particular:

- We plan to develop both private funds and mutual funds products to cover the full spectrum of asset management business value chain. We intend to maintain our competitive edge in collective, targeted and specialized asset management schemes and increase our AUM.
- We plan to improve our active management capabilities, enhance resource sharing between our asset management and other businesses in and outside the PRC, and further diversify our product lines that are focused around customers' needs for investment and financing so as to offer more customized solutions, particularly fixed-income based products and financing-based products.
- We intend to strengthen our cooperation with financial institutions in China and aim to become a provider and active manager of high-quality assets by leveraging our expertise as a securities firm. We aim to improve our asset management capabilities for institutional clients, such as employee stock ownership plans, insurance funds, corporate annuity funds and social security funds.
- We intend to further develop our asset-backed securitization business on areas including, public utility and entry tickets, and actively explore underlying assets, such as financial leasing, trust beneficial rights and account receivables. We will continue to leverage our investment banking business to satisfy the diverse client financing needs through asset-backed securitization.

- We intend to explore the intrinsic value of selected sectors and companies in China and further improve our private equity fund management through leveraging internal and external business resources.

Continue to improve our "non-directional" investment and trading capability and improve investment performance

We are committed to the principle of achieving "low-risk, stable income and sizable growth" in our investment and trading business. We intend to mitigate market and trading risks through active hedging, increase our return through financial leverage, and outperform the market through financial innovation. In particular,

- For equity investment and trading, we plan to develop a centralized trading platform that combines equities selection, investment strategies, investment disciplines and risk management. In order to mitigate market risks while achieving better return, we intend to employ programmed and quantitative trading techniques and a combination of strategies, such as hedging, arbitrage and high-frequency trading. In addition, we will also actively develop market-making services for the NEEQ and for exchange-traded options, to provide liquidity to the markets and explore new growth areas.
- For fixed-income investment and trading, we believe that the liberalization of market-based interest rate regime poses both opportunities and challenges to us. We aim to proactively identify, evaluate and control the risks inherent in fixed-income securities to mitigate risks while achieving better returns. We will actively conduct research on various new fixed-income products, such as asset-backed securitization and credit default swap, continue to strengthen the development and application of new trading strategies and improve our professional advantages in product research, market-making and pricing. In addition, we intend to expand our traditional fixed-income investment and trading business to cover commodities and currencies for building a FICC business in the future.
- We plan to actively develop and introduce more diverse OTC products based on our clients' investment and financing needs, such as equity return swaps, structured notes, OTC derivatives and structured products, and non-tradable shares financing. In addition, we also plan to explore the market-making services based on the OTC market.

Build a competitive and integrated overseas platform to promote the internalization of our business

To better satisfy the growing needs of our existing and prospective clients in the PRC and overseas for cross-border investment and financing solutions, we plan to actively strengthen our overseas business platform. Leveraging our domestic competitive strengths, including the extensive distribution network, strong client base and sound research capabilities, as well as the advantages brought by Hong Kong as an international financial center, we intend to further expand our overseas client base and generate more business opportunities. By doing so, we expect to create greater value for our clients and enhance our overall profitability. In particular, we plan to implement the following measures:

- We intend to actively develop our overseas investment banking business, including the sponsorship of IPOs on the Hong Kong Stock Exchange for Chinese and foreign companies, equity and debt underwriting, advising on cross-border M&A and providing financing solutions for our clients.

- Our experience and expertise in establishing a leading position in the PRC securities brokerage market will provide strong support for us to further develop our overseas brokerage and wealth management businesses, including enhancing the IT platform and diversifying product offerings for our overseas institutional and high net-worth clients.
- In light of the growing needs for customized financial products and services from our clients, we intend to actively promote cross-border securities trading activities and expand our businesses in RQFII, QDII, cross-border ETF, hedging and alternative investment.
- We intend to selectively acquire international financial institutions with suitable scale and distinctive market position that can complement our existing business lines and enable us to enter into new markets and achieve rapid growth in our overseas business. As of the Latest Practicable Date, we did not identify any acquisition target.

Continue to develop IT infrastructure and risk management framework to support our business growth and build a first-class professional workforce

We believe continuous improvement of our IT infrastructure, risk management framework and talent pool are vital for developing a sustainable business and maintaining our market leadership.

We intend to continue to strengthen our IT system to support our business growth and management, and endeavor to enhance our research and development capability. We plan to implement the following IT strategies:

- further integrating our IT infrastructure to improve and centralize our customer service platform, data center, product platform and trading platform and to enhance our IT platforms for various business lines in order to improve our operating efficiency;
- further improving our mobile wealth management terminal, "ZhangLe Fortune Path" by building a single-view platform which combines securities brokerage, wealth management, asset management and payment functions; and
- further optimizing our CRM system and applying "cloud computing" technology and "big data" analytics to achieve more efficient resource allocation and targeted marketing.

We establish a risk management system that is in line with our business strategy, and seek to maintain the sound growth of our business within the boundary of our risk management framework with the following measures:

- building a centralized risk management system that covers our entire organization to strengthen the identification and monitoring of risks in key business processes and manage all types of risk exposure in our Group;
- adopting international risk management tools and establishing risk database and quantitative risk parameters and valuation models to improve our ability to identify and evaluate complex potential risks, and strengthening risk alert and our capability to prevent credit, liquidity, market, and operational risks;
- establishing an IT-based risk management platform with centralized operation, real-time monitoring, quantitative analysis and responsive actions to enhance our risk management capability.

- strengthening our risk-adjusted approach for evaluating the performance of our business, and enhancing employee awareness and accountability for risk management to strike a balance between business growth and risk management.

We believe the key to our success is in having a team of top talent with commitment, international vision and strong executive capability. We intend to maintain our competitive edge with the following measures:

- strengthening the hiring of high-end talents with innovative and global vision, particularly in the fields of investment and trading, direct investment, asset management, derivative products, OTC market, cross-border business, research and risk management;
- implementing a market-oriented hiring mechanism and creating a system for effective talent evaluation focusing on long-term development;
- strengthening employee training programs to enhance their professional qualifications and market competitiveness; and
- enhancing a performance-based remuneration system to improve our competitive edge in the marketplace, and further incentivizing and increasing the loyalty of our employees through equity incentive programs, including employee stock ownership programs, subject to applicable regulations.

Continue to optimize our capital structure and prudently increase our financial leverage through diverse financing channels

We require an increasing amount of capital to meet the rapid development of our capital-based intermediary businesses as well as investment and trading business. To execute our growth strategy and increase shareholders' return, we plan to continue to optimize our capital structure and prudently increase our financial leverage through diverse financing channels.

We intend to issue various debt financing instruments to increase our financial leverage and meet our capital requirements, such as short-term commercial papers, structured notes, short-term corporate bonds, corporate bonds and subordinated bonds. For example:

- In April 2014, the PBOC approved that we may, at our discretion, issue short-term commercial papers with an aggregate outstanding balance of up to RMB12.1 billion within one year. As of December 31, 2014, the balance of our outstanding short-term commercial papers was RMB8.5 billion.
- In December 2014, our Shareholders authorized that we may issue short-term corporate bonds up to 60% of our Net Capital (RMB19.7 billion as of December 31, 2014). In December 2014, the Shanghai Stock Exchange approved that we may, at our discretion, issue up to RMB11.5 billion of short-term corporate bonds within one year. As of December 31, 2014, the balance of our outstanding short-term corporate bonds was RMB7.0 billion.
- In December 2014, our Shareholders authorized that we may issue subordinated bonds of up to RMB50 billion with a term not exceeding five years. In addition, our Shareholders authorized that we may issue structured notes of up to 60% of our Net Capital. We intend to issue these debt instruments in the near future, subject to market conditions and our capital needs.

In addition, we intend to issue other types of financing products, such as asset-backed securities, to meet our business expansion and customer needs and to increase our return on equity.

OUR BUSINESS

We provide comprehensive securities and financial services through our branches and e-Platform to individual, institutional and corporate clients to meet their financial needs. Our principal business lines comprise brokerage and wealth management, investment banking, asset management, investment and trading businesses as well as overseas and other business. The following table sets forth a breakdown of our revenue by business activity for the periods indicated:

	Year Ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%
							(unaudited)			
Brokerage and wealth management	**4,614.9**	**65.8**	**6,883.3**	**76.5**	**10,322.7**	**64.6**	**1,827.0**	**64.9**	**5,310.4**	**72.0**
Securities brokerage(1)	3,788.4	54.0	5,095.8	56.6	7,120.3	44.5	1,250.5	44.4	3,412.9	46.3
Future brokerage	426.1	6.1	410	4.6	350.1	2.2	72.3	2.6	110.1	1.5
Capital-based intermediary businesses(2)	400.4	5.7	1,377.5	15.3	2,852.3	17.9	504.2	17.9	1,787.4	24.2
Investment banking	**1,152.1**	**16.4**	**896.7**	**10.0**	**1,431.4**	**9.0**	**256.3**	**9.1**	**284.6**	**3.9**
Financial advisory	141.8	2.0	204.8	2.3	422.4	2.6	35.2	1.3	58.6	0.8
Equity underwriting	351.0	5.0	169.8	1.9	471.7	3.0	131.3	4.7	102.4	1.4
Debt underwriting	279.8	4.0	215.1	2.4	175.4	1.1	39.7	1.4	15.3	0.2
OTC business	—	—	0.9	—	34.2	0.2	4.0	0.1	6.9	0.1
Others(3)	379.5	5.4	306.1	3.4	327.7	2.1	46.1	1.6	101.4	1.4
Asset management	**122.6**	**1.7**	**387.1**	**4.3**	**1,376.2**	**8.6**	**186.5**	**6.6**	**398.5**	**5.4**
Securities-firm asset management	86.7	1.2	314.4	3.5	758.6	4.7	133.4	4.8	232.1	3.2
Private equity funds management	31.3	0.4	64.0	0.7	129.7	0.8	12.4	0.4	23.5	0.3
Others(4)	4.6	0.1	8.7	0.1	488.3	3.1	40.7	1.4	142.9	1.9
Investment and trading	**735.9**	**10.5**	**545.9**	**6.1**	**2,421.4**	**15.2**	**486.2**	**17.3**	**1,230.3**	**16.7**
Overseas business and others	**402.4**	**5.8**	**415.5**	**4.5**	**436.7**	**2.7**	**59.3**	**2.1**	**148.0**	**2.0**
Inter-segment eliminations	**(16.6)**	**(0.2)**	**(128.2)**	**(1.4)**	**(9.9)**	**(0.1)**	**(0.2)**	**0.0**	**(0.3)**	**0.0**
Total	**7,011.3**	**100.0**	**9,000.3**	**100.0**	**15,978.5**	**100.0**	**2,815.1**	**100.0**	**7,371.5**	**100.0**

(1) Income from our securities brokerage business also includes fee and commission income from margin financing and securities lending business, income from the sales of financial products and commission income from institutional sales and research. In 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, fee and commission income from margin financing and securities lending business was RMB162.0 million, RMB362.0 million, RMB508.6 million, RMB80.2 million and RMB282.2 million, respectively. During the same periods, income from the sales of financial products was RMB34.3 million, RMB34.0 million, RMB93.3 million, RMB8.2 million and RMB55.2 million, respectively. During the same periods, commission income from institutional sales and research was RMB110.4 million, RMB113.9 million, RMB120.5 million, RMB24.5 million and RMB74.3 million, respectively.

(2) Income from our capital-based intermediary businesses represents interest income from these businesses, while the fee and commission income from our margin financing and securities lending business is accounted for as part of the securities and futures brokerage income. If taking into account the fee and commission income from our margin financing and securities lending business, in 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, total income from our capital-based intermediary businesses amounted to RMB562.4 million, RMB1,739.5 million, RMB3,360.9 million, RMB584.4 million and RMB2,069.6 million, respectively.

(3) Others mainly include interest income.

(4) Others mainly include income generated from the asset management schemes which were consolidated into our balance sheet as structured entities.

Brokerage and Wealth Management Business

Our brokerage and wealth management businesses cover the following activities:

- *Securities and Futures Brokerage*: we execute trades on behalf of our clients in stocks, funds, bonds and futures;

- *Sales of Financial Products:* we sell financial products managed by us and other financial institutions to our clients;
- *Institutional Sales and Research:* we market and sell securities products and services to institutional clients and provide professional research services to facilitate their investment decisions; and
- *Capital-based Intermediary Businesses*: we provide margin financing and securities lending, securities-backed lending and stock repurchases to our clients.

We have achieved and received a number of leading industry rankings and awards in recognition of our brokerage and wealth management business, and the most recent of which include:

- According to Wind Info, we ranked No. 1 among all securities firms in China in terms of trading volume of stocks and funds and market share in both 2014 and the three months ended March 31, 2015;
- According to Wind Info, we ranked No. 2 among all securities firms in China in terms of the balance of margin loans and securities lent as of both December 31, 2014 and March 31, 2015;
- In 2014, we received the title of "Best Securities Brokerage Firm of the Year" jointly awarded by the Financial News and the Institute of Finance and Banking, Chinese Academy of Social Sciences, and the titles of "Best Securities Brokerage Firm of 2014" and "Best Internet-based Securities Firm of 2014" awarded by the Securities Times;
- In 2013, we received the titles of "Best Securities Broker of China" and "Best Margin Financing and Securities Lending Firm of China" jointly awarded by the Securities Times and New Fortune; and
- In 2012, we received the titles of "Best Securities Broker of China" and "Best Wealth Management Brand Name of China" awarded by the Securities Times, and the title of "Best Securities Brokerage Firm of the Year" jointly awarded by the Financial News and the Institute of Finance and Banking, Chinese Academy of Social Sciences.

Our brokerage and wealth management business and substantial customer base are at the core of our full-service business strategy. We actively develop our e-Platform to provide standardized services to our customers effectively and cost-efficiently. In addition, we have upgraded the functionality of our securities branches to focus on providing customized value-added services to our affluent, high net-worth, institutional and corporate clients. Meanwhile, we have endeavored to centralize all of our mid- and back-office functions to our regional head offices and our headquarters and to expand our network of "light-touch branches."

Benefiting from our advanced industry-leading e-Platform and the strategic transformation of our securities branch network, we have been successful in reducing our operating costs, enabling us to proactively reduce our brokerage commission rates and expand our customer base rapidly amid the trend of declining brokerage commission rates across the industry. Through our CRM system, we collect our clients' trading data, perform "big data" analytics and categorize clients into different groups based on their needs and behaviors. This allows us to offer differentiated value-added services with varying pricing packages that cater to different clients' profiles and needs, which helps mitigate the decrease in our average brokerage commission rate. In addition, we endeavor to redirect the focus of our brokerage clients from fee-based brokerage services to capital-based intermediary services and wealth management services through product innovation and cross-selling through our full-service platform.

Historically, our brokerage and wealth management business has accounted for a majority of our total revenue. In 2012, 2013 and 2014 and the three months ended March 31, 2015, segment revenue and other income from our brokerage and wealth management business amounted to RMB4,614.9 million, RMB6,883.3 million, RMB10,322.7 million and RMB5,310.4 million, respectively, representing 65.8%, 76.5%, 64.6% and 72.0% of our total revenue and other income, respectively.

Distribution Network

We offer brokerage and wealth management services through our e-Platform and our branch network. We provide standardized financial products and services to our clients primarily through our PC and mobile wealth management terminals. We offer customized and integrated financial services to affluent, high net-worth, institutional and corporate clients primarily through the client managers working at our branch network.

E-Platform

In 2009, we initiated a strategy to bring our business online to address the increasing client demand for more convenient services and better customer experiences and the declining brokerage commission rates across the industry.

In 2009, we launched "Zijin" wealth management services, through which we deliver customized financial information and advice to various client groups via the Internet, based on the "big data" analytics of clients' historical investment activities.

In 2010, we introduced a mobile wealth management terminal, "ZhangLe", and offer related online wealth management services, such as "ZhangLe Weibo" (漲樂微博) and "ZhangLe Community" (漲樂社區). As a result, we established an e-Platform available on PC terminal, mobile terminal and our corporate web-based terminal.

In 2012, we launched "ZhangLe e-Mall", our online store for the sales of financial products and related information.

In 2013, after the regulatory authorities permitted the opening of securities accounts online, we became one of the first batch of securities firms to offer online account opening services. Our new clients are allowed to open brokerage accounts remotely at any time through our e-Platform by following simple instructions for easy registration and verification procedures. Our ability to offer online account opening has significantly reduced the time and inconvenience that our customers had to endure in the past.

In 2014, we launched "ZhangLe Fortune Path", our new generation mobile wealth management terminal. Via this mobile terminal, we launched our standardized securities-backed lending products, namely "IPO Jackpot" (打新神器), a loan product designed for IPO subscription only, and "Easy Loan" (借錢神器), a loan product without any usage restrictions. We also started to offer brokerage services for

Southbound Trading through Shanghai-Hong Kong Connect and the sales of OTC-traded products on our e-Platform.

Our e-Platform is capable of offering a variety of services, including account opening, transaction execution, securities trading, sales of financial products, account management and market information, covering our securities brokerage, capital-based intermediary and wealth management businesses. We make available over 1,500 financial products to our clients on our e-Platform, including cash management products, funds and wealth management schemes. In addition, "ZhangLe Fortune Path" is capable of pushing automated and targeted information on selected financial products, market news and account management advice to users. Our clients can also subscribe for value-added services online, such as research reports.

In 2014 and the three months ended March 31, 2015, the volume of stocks and funds brokerage trading executed over our e-Platform represented 93.3% and 93.7% of our total stocks and funds brokerage trading volume, respectively, and the number of clients who have traded on our mobile terminal accounted for 42.5% and 51.6% of the number of our brokerage clients who traded stocks and funds, respectively. In 2014 and the three months ended March 31, 2015, 85.0% and 96.8% of the total number of our new brokerage accounts was opened online, respectively. As of March 31, 2015, our mobile apps received 6.6 million downloads, of which "ZhangLe Fortune Path" received approximately 3.0 million downloads. "ZhangLe Fortune Path" ranked No.1 among mobile securities apps reviewed by Sina.com in 2014.

Our ability to offer user-friendly financial services through e-Platform enables us to expand our customer reach beyond the physical boundaries of our branch network and allows us to accumulate mass market retail clients quickly. Amid the industry trend of declining brokerage commission rates in China, we have been able to reduce our operating costs by offering standardized and automated services online, thus increasing our cost and price competitiveness.

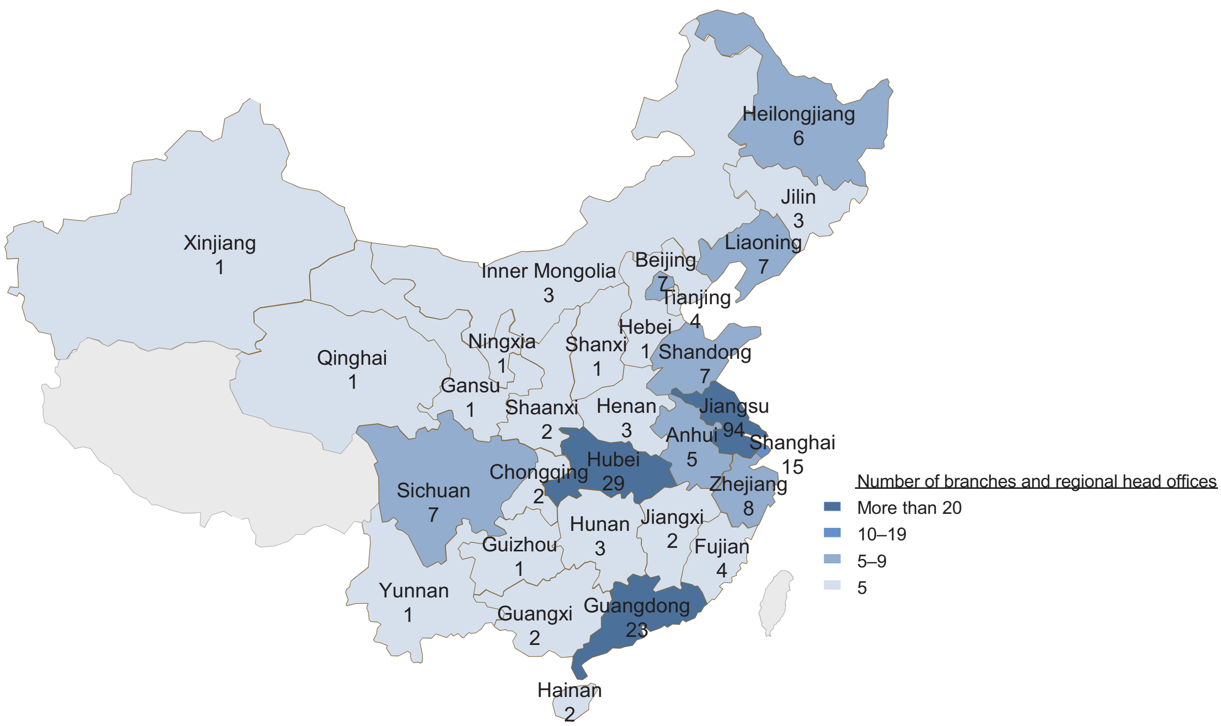
We strive to meet clients' needs through high-quality client services. Through our customer service hotline "95597" and our corporate website, we also provide real-time assistance including collecting clients' feedback and answering enquiries about products, trading rules, account status trading software and mobile apps.

Branch Network

We have one of the largest securities branch networks among PRC securities firms, spanning over 30 provinces in China. As of March 31, 2015, we had 245 securities branches and 31 futures branches. Our branches are mainly located in the economically well-developed regions with high concentrations of affluent individual and SME clients, such as the Yangtze River Delta, the Pearl River Delta and the Bohai Rim. As of March 31, 2015, our securities branches and futures branches located in these economically developed regions constituted approximately 68.2% and 71.0% of our total securities branches and futures branches, respectively. We also established 38 branches in regions with high growth potential and relatively less price competition, such as Hubei, Sichuan and Chongqing, representing approximately 15.5% of our total securities branches.

As part of our client-centric strategy, we launched "All Counter Pass" service, enabling our securities brokerage clients to transact with us at any one of our 245 securities branches in China. We established regional head offices at selected regions, taking into consideration the economic conditions, market competition and our existing branch network. As of March 31, 2015, we had 29 regional head offices, which engage in full-service securities business and provide centralized mid- and back-end functions for all securities branches within the same region.

As of December 31, 2012, 2013 and 2014 and March 31, 2015, we had 225, 236, 240 and 245 securities branches, respectively. The following map illustrates the distribution of our securities branch network as of March 31, 2015:



We have recently upgraded certain securities branches to "flagship branches" which have a substantial customer base. These flagship branches are staffed with professional financial and wealth management advisors and are capable of serving affluent and high net-worth clients, institutional and professional investors. As of March 31, 2015, we had 45 "flagship branches".

We have centralized the management functions and streamlined the operations of our branch network to reduce operating costs and improve operating efficiency. Since 2014, we have migrated the mid- and back-office operations of branches, including IT, finance, risk management and marketing to our regional head offices and our headquarters. To optimize our branch network, we have selectively consolidated or closed duplicated branches in the same city or area. In order to achieve a "lean" operation structure, we have since 2012 started to establish new "light-touch branches" or scale-down existing branches to "light-touch branches". "Light-touch branches" are not equipped with on-site IT facilities, do not offer on-site trading counters, and generally occupy smaller space, require lower operating costs and fewer employees and focus more on client coverage. As of March 31, 2015, we had 132 "light-touch branches", representing approximately 53.9% of the number of securities branches.

Meanwhile, we have also strengthened the marketing and sales function of our securities branches focusing on providing customized wealth management services to affluent, high net-worth, institutional and professional clients. We enhanced the functionality of our securities branches, changing them from traditional brokerage service counters to a full-service platform that is responsible for providing wealth management services to affluent and high net-worth clients, aggregating product resources to satisfy diverse clients' needs and attracting new clients for all business lines by leveraging local resources.

As a result of our centralized management and streamlined operations, the number of our client managers and securities brokerage agents in our securities branches has substantially decreased, which is evidenced by the table below:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
Client managers	2,561	1,836	1,513	1,479
Securities brokerage agents[1]	3,892	3,610	3,051	3,424
Total	**6,453**	**5,446**	**4,564**	**4,903**

(1) Securities brokerage agents are not classified as our staff. We enter into agency sales agreements with securities brokerage agents.

Customers and Service-based Pricing

We divide our brokerage and wealth management clients into the following five major categories:

- *Retail clients*: individual customers with account balance of less than RMB300,000;
- *Affluent clients*: retail customers with account balance of equal to or over RMB300,000 but less than RMB5 million;
- *High net-worth clients*: retail customers with account balance of equal to or over RMB5 million;
- *Institutional clients*: mutual funds management companies, private funds management companies, QFII, NSSF, trust companies, asset management companies, RQFII, and finance companies; and
- *Corporate clients*: various corporate entities in China.

As of March 31, 2015, we had approximately 6.4 million retail clients, 435,300 affluent clients, 19,860 high net-worth clients and 24,600 institutional and corporate clients in our securities brokerage business. Among these clients, approximately 5.8 million clients had accounts with us for over three years, approximately 2.0 million had accounts with us for over ten years, and approximately 2.9 million were active clients.

The following table sets forth the number of our brokerage clients by type as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
		('000)		
Retail clients	5,761.1	5,909.4	6,194.7	6,407.0
Affluent clients	183.9	206.4	332.1	435.3
High net-worth clients	5.0	7.0	13.2	19.9
Institutional and corporate clients	21.3	22.7	24.1	24.6
Total	**5,971.2**	**6,145.4**	**6,564.1**	**6,886.7**

With the help of abundant historical customer trading data collected by our CRM system, we are able to perform "big data" analytics of our clients' trading data and categorize clients into different groups based on their needs and behaviors. Through extensive data mining and effective client categorization, we deliver targeted services and information that appeal to our clients' needs through standardized procedures on our e-Platform, in order to expand our service coverage and improve client experience. For affluent and high net-worth clients, we focus more on providing customized and high-quality services through the client managers working at our branch network.

We offer different value-added service and pricing packages that cater to different clients' needs. In 2014, we started to provide four major service packages to our clients, including "Wealth Vision" (財富視點), "Wealth Tips" (財富錦囊), "Wealth Advisor" (財富顧問) and "Wealth Lifestyle" (財富生活):

- "Wealth Vision": We offer various commission rate packages, which are bundled with differentiated value-added research and market information, to meet the diverse needs of our securities clients;
- "Wealth Tips": Through "big data" analytics and push notifications, we send account alerts and recommendations based on our clients' trading positions and account portfolios to facilitate their wealth management decisions;
- "Wealth Advisor": We offer differentiated investment advisory services for different types of clients. We offer standardized wealth management advice online to our retail clients. We also offer customized integrated wealth management services to our affluent and high net-worth clients through our client managers; and
- "Wealth Lifestyle": Based primarily on the clients' income contributions, we provide value-added services relating to personal lifestyle to increase their loyalty. For example, we regularly organize wealth management seminars and forums for affluent and high net-worth clients.

Benefiting from the low operating costs of our securities brokerage business, which is attributable to our industry-leading e-Platform and centralized and streamlined operations of our branch network, we have proactively lowered our commission rate of basic brokerage services in the environment of the decreasing commission rate across the industry. In 2012, 2013 and 2014 and the three months ended March 31, 2015, our average securities brokerage commission rate was 8.6bps, 7.4bps, 4.8bps and 4.2bps, respectively, enabling us to grow our market share and expand client base rapidly. However, we will continue to offer and improve our differentiated value-added services with varied pricing packages to mitigate the decrease of our average securities brokerage commission rate.

Securities Brokerage

We engage in the trading of various securities products for our customers, including:

- *Stocks*: stocks of listed companies on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Hong Kong Stock Exchange (through the Shanghai-Hong Kong Stock Connect);
- *Funds*: listed funds, including open-ended funds, close-ended funds and ETFs; and

- *Bonds*: bonds that are listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, including treasury bonds, corporate bonds and convertible bonds.

The following table sets forth the trading volume and market share by product type for our securities brokerage business for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2012		2013		2014		2014		2015	
	Trading volume	Market share[(1)]	Trading volume	Market share[(1)]	Trading volume	Market share[(1)]	Trading volume	Market share[(1)]	Trading volume	Market share[(1)]
	(RMB in billions)	(%)	(RMB in billions)	(%)	(RMB in billions)	(%)	(RMB in billions)	(%)	(RMB in billions)	(%)
Stocks and funds										
Stocks	3,397.9	5.4	5,586.3	6.0	9,648.5[(2)]	6.5	1,540.4	6.4	5,859.9[(2)]	7.2
Funds	133.2	8.6	274.9	9.6	2,755.5	29.5	99.2	10.9	1,281.1	27.4
Subtotal	**3,531.2**	**5.5**	**5,861.1**	**6.1**	**12,404.0**	**7.9**	**1,639.6**	**6.5**	**7,141.1**	**8.3**
Bonds	2,710.6	3.7	4,851.1	3.8	7,099.2	4.0	1,562.1	4.2	2,102.5	2.9
Total	**6,241.8**	**4.6**	**10,712.3**	**4.8**	**19,503.2**	**5.8**	**3,201.7**	**5.2**	**9,243.6**	**5.8**

(1) Source: Wind Info.

(2) Trading volume excluded data from Shanghai-Hong Kong Stock Connect.

As one of the first three qualified securities firms for the Southbound Trading Link in Shanghai-Hong Kong Stock Connect, we began to participate in the pilot business of the Southbound Trading in October 2014. From November 17, 2014, the launch date of the Shanghai-Hong Kong Stock Connect, to March 31, 2015, our clients' brokerage trading volume through the Southbound Trading Link accounted for approximately 8.8% of the total trading volume on the Southbound Trading Link.

In 2012, 2013 and 2014 and the three months ended March 31, 2015, income from our securities brokerage business amounted to RMB3,788.4 million, RMB5,095.8 million, RMB7,120.3 million and RMB3,412.9 million, respectively, representing 82.1%, 74.0%, 69.0% and 64.3% of our segment revenue and other income from our brokerage and wealth management business during those periods, respectively. Income from our securities brokerage business also includes fee and commission income from margin financing and securities lending business, income from the sales of financial products and commission income from institutional sales and research. In 2012, 2013 and 2014 and the three months ended March 31, 2015, fee and commission income from margin financing and securities lending business was RMB162.0 million, RMB362.0 million, RMB508.6 million and RMB282.2 million, respectively. During the same periods, income from the sales of financial products was RMB34.3 million, RMB34.0 million, RMB93.3 million and RMB55.2 million, respectively. During the same periods, commission income from institutional sales and research was RMB110.4 million, RMB113.9 million, RMB120.5 million and RMB74.3 million, respectively.

Futures Brokerage

We provide futures brokerage services through our subsidiary, Huatai Futures, which is a member of the Shanghai Futures Exchange, the Zhengzhou Commodity Exchange, the Dalian Commodity Exchange and the China Financial Futures Exchange. As of March 31, 2015, our futures products included 48 types of commodity futures, such as agricultural products, bullion, chemical products and metals, and three types of financial futures, namely stock index futures and treasury bond futures with terms of five years and ten years, respectively.

The following table sets forth the trading volume of our futures brokerage business by product type for the periods indicated:

	Year ended December 31,			Three months ended March 31 ,	
	2012	2013	2014	2014	2015
	(RMB in billions)				
Commodity futures	5,112.8	6,934.8	5,792.5	1,274.6	1,670.5
Financial futures	7,563.0	13,415.3	10,784.4	2,097.1	6,107.6
Total	**12,675.8**	**20,350.1**	**16,576.9**	**3,371.7**	**7,778.1**

As of March 31, 2015, we had 31 futures branches across 17 provinces in the PRC. In addition, 174 of our securities branches and two regional head offices have been licensed to conduct futures IB business, which allow these branches and head offices to introduce potential customers to Huatai Futures. In recent years, Huatai Futures has received the following major awards in connection with its futures brokerage business:

- "Top Ten Corporate Brands of the PRC Futures Market" by Shanghai Securities News in 2014;
- "Best Futures Company of 2014" by Securities Times in 2013 and 2014; and
- "Golden Member of Excellence" (年度優秀會員金獎) by China Financial Futures Exchange in 2011, 2013 and 2014.

In 2012, 2013 and 2014 and the three months ended March 31, 2015, our average futures brokerage commission rate was 0.15bps, 0.10bps, 0.08bps and 0.07bps, respectively. In 2012, 2013 and 2014 and the three months ended March 31, 2015, income from the futures brokerage business amounted to RMB426.1 million, RMB410.0 million, RMB350.1 million and RMB110.1 million, respectively, representing 9.2%, 6.0%, 3.4% and 2.1% of the segment revenue and other income from our brokerage and wealth management business during those periods, respectively.

Sales of Financial Products

Since the new regulations on the sales of financial products in November 2012, we became qualified to engage in the sales of more diverse financial products offered by third-party financial institutions, such as those offered by fund management companies, trust companies and commercial banks. We have over 1,900 financial products distributed through our extensive branch network and e-Platform.

The following table sets forth a breakdown of third-party financial products sold in terms of sales for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
	(RMB in millions)				
Mutual funds	8,994	6,832	12,460	2,976	5,939
Private funds	—	3,184	6,933	586	1,642
Others	—	—	489	—	—
Total	**8,994**	**10,016**	**19,882**	**3,562**	**7,582**

- *Mutual funds*: funds issued by mutual fund manager companies in the PRC;
- *Private funds*: mainly comprising trust schemes;
- *Others:* mainly comprising separately managed accounts of mutual fund management companies and other fund products issued by the subsidiaries of mutual fund management companies in China.

In 2012, 2013 and 2014 and the three months ended March 31, 2015, revenue from the sales of financial products amounted to RMB34.3 million, RMB34.0 million, RMB93.3 million and RMB55.2 million, respectively (representing 0.7%, 0.5%, 0.9% and 1.0%, respectively, of the segment revenue and other income from our brokerage and wealth management business during those periods), most of which was generated from the sales of third-party financial products.

We developed financial product evaluation systems and procedures through which we conduct detailed analysis, particularly risk evaluation of mutual funds, private funds, collective asset management schemes, trust products and fixed-income securities and other financial products issued by third parties, to determine which financial products are suitable for our clients. Based on the analytical and rating results, we categorize third-party financial products and our clients into five tolerance risk levels, and recommend and sell financial products that match or are lower than the client's risk tolerance level. See "—Risk Management and Internal Control Measures in Our Major Business Lines—Brokerage and Wealth Management Business".

Institutional Sales and Research

We engage in the sales and marketing of securities services and products to institutional clients, including stocks, bonds and funds. Our institutional clients are mainly mutual funds management companies, private funds management companies, QFII, NSSF, trust companies, asset management companies, RQFII, and finance companies. We charge our institutional clients with different commission rates based on the product type, generally ranging from 0.04% to 0.1%. In 2012, 2013 and 2014 and the three months ended March 31, 2015, commission income (accounted for as part of the commission income from our securities brokerage business) from such institutional investors amounted to approximately RMB110.4 million, RMB113.9 million, RMB120.5 million and RMB74.3 million, respectively, representing 2.4%, 1.7%, 1.2% and 1.4% of the segment revenue and other income from our brokerage and wealth management business during these periods, respectively.

As of March 31, 2015, our research team has 177 members (including 25 institutional sales staff) of whom 61 members have obtained the securities analyst license issued by the SAC and 84% held master's degrees or above. We provide and encourage our research staff to attend training in different business areas, including compliance, analyst positioning and professional development, valuation methodologies and securities investment theories to enhance their professional expertise.

Our research team provides regular research reports and corporate updates to our institutional clients to help them identify and evaluate investment opportunities. Our broad scope of research covers macro-economic analysis, investment strategies, industry and company research, fixed income products and policy studies. Our equity research covers 28 industry sectors and 1,018 listed companies in the PRC. As of March 31, 2015, the total market capitalization of the listed companies under our research coverage accounted for over 71.2% of the aggregate market capitalization of the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

In light of our outstanding achievement in research business, we have received the "Annual Crystal Ball Award for Chinese sell-side analysts" awarded by "Securities Market Weekly" several times during the Track Record Period and ranked No. 3 in the fast-growing research institution in the "Best Analysts Award" by "New Fortune (新財富)" in 2014. We believe that investment research provides valuable support for our principal business lines.

Since 2014, we have been actively developing our prime brokerage services for institutional and professional customers. Our prime brokerage services include fund custodian, settlement, clearing, valuation, margin financing and securities lending, product sales and other value-added services.

Capital-based Intermediary Businesses

Our capital-based intermediary businesses include margin financing and securities lending, securities-backed lending and stock repurchases.

In 2012, 2013 and 2014 and the three months ended March 31, 2015, income from our capital-based intermediary businesses amounted to RMB400.4 million, RMB1,377.5 million, RMB2,852.3 million and RMB1,787.4 million, respectively, representing 8.7%, 20.0%, 27.6% and 33.7% of the segment revenue and other income from brokerage and wealth management services during those periods, respectively. Income from our capital-based intermediary businesses represents interest income from these businesses, while the fee and commission income from our margin financing and securities lending business is accounted for as part of the securities and futures brokerage income. If taking into account the fee and commission income from our margin financing and securities lending business, in 2012, 2013 and 2014 and the three months ended March 31, 2015, total income from our capital-based intermediary businesses amounted to RMB562.4 million, RMB1,739.5 million, RMB3,360.9 million and RMB2,069.6 million, respectively.

Margin financing and securities lending

We launched our margin financing and securities lending business in 2010. We offer collateralized financing through our margin financing services to brokerage customers who wish to finance their securities purchases, thereby enabling them to improve investment returns through financial leverage. We also lend securities held in our own accounts to brokerage customers through our securities lending services, enabling them to take advantage of potential short-selling opportunities in the market. Margin financing and securities lending business is the major component of our capital-based intermediary businesses, characterized by its capital intensive nature and associated credit exposure. See "Risk Factors—Risks Relating to Our Business and Industry—We may suffer significant losses from our credit exposures in our capital-based intermediary businesses, futures brokerage business and OTC transactions."

Our margin financing and securities lending business has experienced rapid growth and has become an increasingly important source of our revenue and profit. We earn interest income for our margin loans and securities lent and also earn fee and commission income for margin trades (accounted for as part of the fee and commission income from our securities brokerage business). As of December 31, 2012, 2013 and 2014 and March 31, 2015, our margin loan balance and market value of securities lent amounted to RMB6,514.2 million, RMB19,568.4 million, RMB65,482.9 million and RMB95,840.1 million, respectively. According to Wind Info, we ranked No. 2 in terms of the balance of margin loans and securities lent among all securities firms in China as of March 31, 2015.

With the development of our margin financing and securities lending business and following the expiry of the trial period of margin financing and securities lending, we had adopted a set of merit-based standards (taking into account the clients' risk tolerance and familiarity with the business) in determining clients' eligibility to open margin financing and securities lending accounts and gradually lowered the minimum securities account balance requirement for clients to open margin financing and securities lending accounts. In specific, we reduced the minimum securities account balance requirement for our new clients who wish to engage in margin financing and securities lending services from RMB500,000 to RMB200,000 in March 2013 and waived such minimum securities account balance requirement in September 2014. On January 19, 2015, we have reset the minimum securities account balance requirement of RMB500,000 for new margin financing and securities lending clients based on the guidelines from the CSRC in early 2015. Such guidelines did not affect our existing clients, and the CSRC does not require securities companies to restrict the margin financing activities for our existing clients who had less than RMB500,000 securities account balance when their margin financing and securities lending accounts were opened. Nevertheless, we will take a cautious approach to closely monitor their credit condition, in particular, the actual securities assets balance in the account, to determine if credit limits should be extended and how much should be extended to them. For example, we have added parameters such as age, account status and risk preference to our front-end control system for our assessment of the clients' creditworthiness. In addition, following the onsite inspection by the CSRC in February 2015, we further strengthened our front-end control by strictly requiring clients to have at least a six-month trading record with us since their first trade before they are eligible to apply for the margin financing and securities lending business, to mitigate the market and credit risks in our margin financing and securities lending business. For existing clients with less than six-month continuous trading record with us starting from their first trade: (1) we will restrict those clients who opened accounts but had no transaction records with us from entering into any margin loan positions and cancel their credit limits until they meet the account opening requirement; and (2) closely monitor the credit conditions and key risk indicators of the clients who has had transaction records and balance with us, and will restrict them from entering into any margin loan position and cancel their credit limits upon the expiration of the one-month rectification period until they meet the account opening requirements. See "Business—Legal and Regulatory—Regulatory Non-compliances". As of April 10, 2015, the non-compliant margin financing and securities lending accounts accounted for approximately 0.21% of our total margin financing and securities lending accounts. In 2012, 2013 and 2014 and the three months ended March 31, 2015, the total interest income and fee and commission income from these non-compliant accounts was RMB0, RMB0, RMB2.7 million and RMB13.7 million, accounting for approximately 0%, 0%, 0.09% and 0.72% of the total interest income and fee and commission income of our margin financing and securities lending business, respectively. As of March 31, 2015, among the clients who did not have margin financing and securities lending accounts with us, approximately 163,500 clients had a balance of over RMB500,000 in their securities account which has been maintained with us for six months or more since their first trade. We consider them to be our potential margin financing and securities lending customers. Given that the revenue contribution of clients with non-compliant accounts is not material and the substantial number of our existing and potential customer pools, we do not foresee that the new CSRC guideline and the rectification measures adopted by us will have a material impact on our margin financing and securities lending business.

As of March 31, 2015, we offered margin financing and securities lending services in 239 of our 245 securities branches in China. On the same date, 897 stocks and 16 ETFs were eligible for margin financing and securities lending in the PRC, of which we offered margin financing services for

879 eligible stocks and 16 ETFs and securities lending services for 891 eligible stocks and 16 ETFs. Our agreements with margin financing or securities lending clients typically include terms such as maturity date, interest rate and margin rate. Currently, our margin loan interest rate and margin rate are 3.0% above the PBOC benchmark interest rate of six-month loans for financial institutions, which is 8.35%.

The following table sets forth a summary of the key operating and financial information of the margin financing and securities lending business:

	As of or for the year ended December 31,			As of or for the three months ended March 31,	
	2012	**2013**	**2014**	**2014**	**2015**
Number of margin financing and securities lending accounts	45,764	90,418	192,021	97,674	211,510
Balance of margin loans and securities lent *(RMB in millions)*	6,514.2	19,568.4	65,482.9	20,998.6	95,840.1
Maintenance margin ratio	292%	249%	252%	252%	276%
Interest income from margin financing and securities lending *(RMB in millions)*	397.4	1,196.7	2,445.0	435.3	1,608.4
Trading volume of credit accounts from margin financing and securities lending *(RMB in millions)*	191,677.3	575,312.0	1,230,663.0	150,349.0	788,218.0
Commission and fee income from margin financing and securities lending[(1)] *(RMB in millions)*	162.0	362.0	508.6	80.2	282.2
Total interest income and fee and commission income from margin financing and securities lending *(RMB in millions)*	559.4	1,558.7	2,953.6	515.5	1,890.6

(1) Included in the commission and fee income from our brokerage business.

We require our margin financing and securities lending clients to provide collateral in the form of securities as quoted on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Different discount rates apply when determining the value of the securities as collateral. In addition, we monitor the discount rate applied to each security on a real-time basis and make adjustments based on various factors, such as the market trends and fluctuations, security concentration and liquidity, to manage our credit risk. The following table sets forth the applicable maximum collateral discount rates for various types of securities in our margin financing and securities lending business as of March 31, 2015:

Type of securities	Discount rate
Treasury bonds	95%
ETFs	80%
Non-ETF listed securities investment funds and non-MOF bonds	80%
SSE 180 Index and SZSE 100 Index constituent stocks	70%
Non-ST stocks (excluding SSE 180 Index and SZSE 100 Index constituent stocks)	65%
ST stocks	0%

We determine the credit limit of our customers based on various factors, such as the total value of their assets maintained with us and their creditworthiness. We have also established a risk management warning mechanism through which we monitor the value of our customers' collateral and maintenance margin ratios on a real time basis. If the maintenance margin ratio is below 150% and above 130%, we will send alerts to clients. If the maintenance margin ratio is below 130%, we will issue a warning to such clients requiring them to increase their maintenance margin ratios to 150% or higher within two business days. We will carry out forced liquidation of positions for clients who fail to increase their maintenance margin ratio on time. See "—Risk Management and Internal Control Measures in Our Major Business Lines—Brokerage and Wealth Management Business—Capital-based Intermediary Business—Margin Financing and Securities Lending Business". As of December 31, 2012, 2013 and 2014 and March 31, 2015, the maintenance margin ratio of our margin financing and securities lending was 292%, 249%, 252% and 276%, respectively.

With developments in the regulatory environment, we believe that the categories and amounts of securities eligible for margin financing and securities lending will further increase, and more types of institutional investors will be eligible to engage in margin financing and securities lending business. Any of these developments could support the growth of our margin financing and securities lending business. In addition, we will further promote our margin financing and securities lending business to existing eligible potential clients in order to extend the penetration of margin financing and securities lending business among our brokerage business clients.

Securities-backed lending and stock repurchases

In respect of securities-backed lending, clients pledge their securities to us as collateral and we provide loans to our clients at interest. As of December 31, 2013 and 2014 and March 31, 2015, the balance of our securities-backed lending business (including the balance of certain collective asset management schemes which engaged in securities-backed lending and managed by us under consolidated structure entities) was RMB1,132.5 million, RMB14,518.4 million and RMB18,658.7 million, respectively.

We developed and introduced our standardized securities-backed lending products, "Easy Loan" and "IPO Jackpot", on our mobile wealth management platform in 2014. These financing products allow our retail clients to pledge securities held in their brokerage accounts to us for a short-term small loan, usually between RMB5,000 to RMB3 million for "IPO Jackpot" and between RMB5,000 to RMB1 million for "Easy Loan." Our PRC legal advisors confirmed that our "Easy Loan" and "IPO Jackpot" are alternative forms of securities-backed lending that are within our permitted business scope. We allow our clients to use the loans borrowed on "Easy Loan" for any purpose, while we restrict the "IPO Jackpot" only for subscribing IPO shares in the A share market. The annualized interest rate we charge for "IPO Jackpot" is 8.0% and the annualized interest rate we charge for "Easy Loan" is generally between 8.8% and 12%. We believe that these standardized financing products could help expand our securities-backed lending business and enhance our customer loyalty.

In a stock repurchase transaction, we purchase securities from clients under a repurchase agreement under which the clients shall buy back the securities at predetermined prices and within a specified period of time, and before the repurchase occurs, we retain ownership of the securities sold. As of December 31, 2013 and 2014 and March 31, 2015, the balance of our stock repurchase business totaled RMB2,017.6 million, RMB593.0 million and RMB275.1 million, respectively.

Our securities-backed lending and stock repurchase businesses help our clients obtain short-term liquidity and also offer opportunities to mobilize their idle assets. The interest rates we charge for these services are generally comparable with those of our margin financing service, subject to market conditions.

We require our securities-backed lending and stock repurchase customers to provide sufficient collateral and monitor our clients' collateral coverage ratio on a real-time basis. See "—Risk Management and Internal Control Measures in Our Major Business Lines—Brokerage and Wealth Management Business—Capital-based Intermediary Businesses—Securities-backed Lending Business/ Stock Repurchase Business." As of March 31, 2015, the collateral coverage ratios of our securities-backed lending and stock repurchase are 438% and 300%, respectively.

The following tables set forth the breakdowns of the collateral we received in our securities-backed lending and stock repurchase businesses by type and market as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Current			
Equity securities	303.8	2,782.1	12,711.3
—Shanghai Stock Exchange	303.8	1,103.7	3,721.2
—Shenzhen Stock Exchange	—	1,678.4	8,990.1
Non-current			
Equity securities	—	368.0	2,400.1
—Shenzhen Stock Exchange	—	368.0	1,526.6
—Shanghai Stock Exchange	—	—	873.5

Sources of Funds and Securities

In the past, the sources of funds and securities for our capital-based intermediary businesses consisted of the following:

- Our operating cash and equity securities. See "Risk Factors—Risks Relating to Our Business and Industry—A significant decrease in our internal or external liquidity could negatively affect our business and reduce customer confidence in us" for more details;
- Proceeds from the issuance of corporate bonds, subordinated bonds, short-term corporate bonds, short-term commercial papers and structured notes. See "Financial Information—Indebtedness";
- Proceeds from the issuance of products under asset management schemes, such as "Tou Rong Bao" (投融寶). See "—Our Business—Asset Management";
- Margin loans receivable-backed repurchase: We contract to sell our margin loans receivable to a counterparty for a short-term financing and agree to repurchase such assets at a later date; and
- Margin and securities refinancing: We were among the first batch of PRC securities firms to acquire the qualification for the pilot margin refinancing and securities refinancing businesses in August 2012 and February 2013, respectively. Margin refinancing enables us to lend funds from third parties to our clients, while securities refinancing enables us to lend securities from third parties to our clients, thereby increasing the amount of funds or securities available to our margin financing and securities lending business. We are able to borrow funds or securities from China Securities Finance and then lend to our margin financing and securities lending customers. As of March 31, 2015, the balance of our placements from China Securities Finance was RMB1,500 million and the market value of securities we borrowed from China Securities Finance was RMB1,196.4 million.

Investment Banking

We provide one-stop investment banking solutions to our corporate clients, including financial advisory, equity underwriting and debt underwriting as well as the NEEQ and regional equity exchange-related services.

Our investment banking business is a leading force in our full-service business platform. Leveraging on our comprehensive investment banking business and top financial advisory capability, we are able to offer customized investment banking services to corporate clients covering their entire development stages. For instance, through a series of capital market transactions in which we participated, including the IPO on ChiNext Board, two domestic M&A, one corporate bonds issuance, one short-term commercial papers issuance, the employee share incentive plan and the subscription of Huatai Ruilian M&A fund, we helped Bluefocus Communication to grow from its initial market capitalization of RMB3.2 billion in 2010 when it was listed on the ChiNext Board to a market capitalization of RMB35.2 billion as of March 31, 2015. In addition, we provided a series of capital market services to DHC Software, including three M&A and one convertible bond issuance.

Our M&A-focused financial advisory business is the core competitive strength of our investment banking business. We believe that:

- with the PRC economy embarking on a new phase of optimization and transformation, the M&A activities are expected to increase, and we are well-positioned to benefit from such industry trend due to our well-established market position and brand name in the M&A market;
- our outstanding performance in M&A advisory business enabled us to become client-focused and value-adding when delivering investment banking business. Our M&A advisory enhanced our client loyalty, allowing us to provide follow-on investment banking services to the same client; and
- M&A advisory business is also an important area for us to acquire new clients. Since 2012, in terms of the CSRC-approved M&A advised by us, we participated in 47 transactions, among which 34 were for first-time clients.

We intend to seize the opportunities arising from the reforms of PRC securities industry and the A share IPO reform, and establish our expertise and competitiveness in selected industries, such as TMT, healthcare, consumer, environment and new energy as well as advanced manufacturing.

As the PRC economy continues to transform, we are committed to capturing the most valuable business opportunities based on our long-term focus on strategic sectors. We are committed to active participation in industry consolidation and selectively developing clients with high growth potential. We expect new blue chip companies will emerge among our corporate clients, and as our clients mature and succeed, our own success will follow. We focus on both deal size and profitability. In addition to actively seizing landmark transactions with substantial market influence, we are also committed to undertaking innovative and high value-added transactions to improve our operating efficiency and profitability.

In recent years, we have received the following major awards in recognition of our investment banking business:

- "Most Promising Investment Bank in China" (中國區最具成長性投行) and "Most Influential Regional Investment Bank in China—(Huatai United Securities Co., Ltd. (East China

Region))” (2014中國區最具區域影響力投行—(華泰聯合證券有限責任公司（華東區域)) by Securities Times in 2014;

- “Best Investment Bank in China” (本土最佳投行) by New Fortune in 2013 and 2014, and “Most Innovative Investment Bank” (最具創新能力投行) by New Fortune in 2014;
- “Best Investment Banking Capability for Small-and-Medium Projects” (中小項目能力最佳投行) by New Fortune in 2013;
- “Most Promising Investment Bank in China” (中國區最具成長性投行) by Securities Times in 2013;
- “Golden Bull Investment Bank Award” (金牛投資銀行獎) and “Golden Bull IPO Investment Bank Award” (金牛IPO投行獎) by China Securities in 2012; and
- “Best Sponsor in 2011” (2011 年度最佳保薦機構獎) by the Shenzhen Stock Exchange in 2012.

In 2012, 2013 and 2014 and the three months ended March 31, 2015, segment revenue and other income from our investment banking business amounted to RMB1,152.1 million, RMB896.7 million, RMB1,431.4 million and RMB284.6 million, respectively, representing 16.4%, 10.0%, 9.0% and 3.9% of total revenue and other income, respectively. With the improving revenue mix of our investment banking business, the proportion of fee and commission income from financial advisory business to fee and commission income from investment banking business increased from 17.3% in 2012 to 33.2% in 2013 and further increased to 34.5% in 2014. Fee and commission income from our financial advisory business, equity underwriting and debt underwriting in 2014 contributed to 29.5%, 33.0% and 12.3% respectively, of our segment revenue from investment banking business, achieving a balanced business mix.

Financial Advisory

Our financial advisory business is centered on advising M&A for corporate clients in China. We believe that “Huatai United” is the most competitive investment banking brand in the PRC M&A market, with sound brand recognition that leads the trends in the M&A transactions in China. This is evidenced by the following:

- In terms of the number of domestic M&A advised by us, we ranked No.1 in 2013, 2014 and the three months ended March 31, 2015 in the PRC securities industry, according to Mergermarket.
- In terms of the number of CSRC-approved M&A advised by us, we ranked No. 1 in the industry for three consecutive years from 2012 to 2014, and in the three months ended March 31, 2015, Our substantial number of transactions has provided a solid foundation for our stable and outstanding growth and reduced our reliance on single or limited clients.
- In terms of the transaction value of CSRC-approved M&A advised by us in 2014, we ranked No. 1 among PRC securities firms.
- In terms of the net revenue from M&A advisory business, we ranked No. 1 among A share listed securities firms in 2014.

We believe our client base could benefit from the transformation and development of the PRC economy going forward:

- In terms of client selection, we focus on emerging industries and SMEs with high growth potential. During the Track Record Period and the three months ended March 31, 2015, among the 47 CSRC-approved M&A transactions we advised, 34 clients were listed on SME Board or ChiNext Board; in terms of the industry, 33 clients operated in the TMT, consumer, environment and new energy and advanced manufacturing.
- In recent years, we achieved a track record in advising large-scale central government-owned enterprises and state-owned enterprises. For instance, we acted as the financial advisor in the merger of Hong Yuan Securities Co., Ltd. by Shenyin & Wanguo Securities Company Limited, and are currently advising the reverse takeover of Essence Securities.

Our M&A advisory team was established in 2004, the first in the PRC securities industry. Six of the seven founding members of our M&A advisory team still remain with us. Although IPO transactions dominated the investment banking market in China for the last decade, our M&A advisory team has been committed to its business practice by adopting a market-oriented business strategy and devoting substantial resources. This has enabled us to gain extensive experience in advising complex M&A transactions and facilitated our M&A advisory business growing significantly in recent years. As of March 31, 2015, our M&A advisory team had over 100 employees and had gained wide recognition from our clients, the capital market and regulatory authorities. For instance, the CSRC has invited us for consultation when making policies and regulations relating to M&A transactions in China. The CEO of Huatai United, Ms. Liu Xiaodan is now a member of the Mergers and Reorganization Committee of the CSRC.

In recent years, we have received the following major awards in recognition of our financial advisory business:

- "Best M&A Investment Bank" (併購業務最佳投行) and "Best Financial Advisory Project—Acquisition of Hong Yuan Securities Co., Ltd. by Shenyin & Wanguo Securities Company Limited" (最佳財務顧問項目—申銀萬國吸收合併宏源證券) by New Fortune in 2015;
- "Best Financial Advisory Team in China" (最佳財務顧問團隊獎) and "Best M&A Restructuring Project in China—Ourpalm Co., Ltd. (北京掌趣科技股份有限公司) Acquisition of Dovo Technology Inc. (海南動網先鋒網絡科技有限公司) by a mix of share and cash consideration" by Securities Times in 2014;
- "Best M&A Team" (最佳併購團隊獎) by Shanghai Securities News in 2013 and 2014; and
- A-rated securities firm by "Professional Practice of Financial Advisory Business" (財務顧問業務執業能力專業評價) of the SAC in 2013 and 2014; and we ranked No.1 in the SAC assessment of M&A advisory capability in 2013.

We focus on advising M&A of listed companies in China, which account for a substantial portion of our revenue from the financial advisory business. In addition, we also advise M&A transactions that do not require CSRC's approval. The following table sets out certain information on the CSRC-approved M&A transactions advised by us for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2012		2013		2014		2014		2015	
	Number of transactions	Transaction value	Number of transactions	Transaction value	Number of transactions	Transaction value	Number of transactions	Transaction value	Number of transactions	Transaction value
		(RMB in millions)		(RMB in millions)		(RMB in millions)		(RMB in millions)		(RMB in millions)
Initial announcement made[(1)]	8	6,562.2	24	33,979.2	31	99,978.6	4	2,076.7	9	18,901.8
CSRC approval obtained[(2)] . .	10	11,715.1	10	7,510.2	22	73,988.9	5	21,017	5	25,570.9
Market share in terms of being approved by the CSRC . .	12.8%	6.8%	11.0%	4.0%	12.0%	20.5%	22.7%	35.8%	11.1%	30.1%

(1) Means the first public announcement has been made by a listed company to disclose its proposed M&A transaction to the market. After the stage of initial announcement, an M&A transaction requires various corporate and regulatory approvals in order to proceed.
(2) Means the M&A transaction has been approved by the CSRC and is allowed to proceed.

We charge advisory fees based on the type and size of the transactions as well as the scope of our services. Fee and commission income from financial advisory business was RMB141.8 million, RMB204.8 million and RMB422.4 million in 2012, 2013 and 2014, respectively.

We provide M&A advisory services to corporate clients with industry and strategic perspectives. We assisted clients to achieve strategic expansion through M&A transactions in industry consolidation. During the Track Record Period and the three months ended March 31, 2015, 38 of the 47 M&A approved by the CSRC and advised by us were relevant to industry consolidation in China. Our financial advisory business also facilitates our private equity fund management business and investment and trading, creating cross-selling synergies between different business lines and enhancing client loyalty.

Our financial advisory team is renowned for its innovation and ability to handle complex transactions. We pioneered several innovative M&A structures and led the development of the PRC M&A market. During the Track Record Period and the three months ended March 31, 2015, some symbolic M&A transactions we participated include:

- *Acquisition of CiMing Health Checkup Management Group Co., Ltd. (慈銘健康體檢管理集團股份有限公司) by Meinian Onehealth Healthcare (Group) Co., Ltd. (美年大健康產業(集團) 股份有限公司) (2015)*: We acted as the financial advisor for Meinian Onehealth Healthcare (Group) Co., Ltd. This acquisition is an important integration for the PRC healthcare industry.
- *Merger between Shenyin & Wanguo Securities Company Limited and Hong Yuan Securities Co., Ltd. (2014)*: We served as the financial advisor for Shenyin & Wanguo Securities Company Limited in this merger, which is the largest M&A transaction in the PRC securities industry.
- *Acquisition of a PRC media company by Bluefocus Communication (2013):* We acted as the financial advisor for Bluefocus Communication. This was the first M&A transaction in China in which a PRC securities firm provided concurrent bridge and mezzanine financing as well as M&A advisory.

- *Acquisition of Dovo Technology Inc. (海南動網先鋒網絡科技有限公司) (2013) by Ourpalm Co., Ltd. (北京掌趣科技股份有限公司)*: We acted as the financial advisor for Ourpalm Co., Ltd. with innovative differentiated pricing mechanism through "adopting different prices for the same class of share."

- *Reorganization of Surekam Corporation (北京聯信永益科技股份有限公司) by China Trans Info Technology Corp (北京千方科技集團有限公司) (2014):* We acted as the lead coordinator and independent financial advisor for China Trans Info Technology Corp for its reverse takeover of Surekam Corporation. This was the first A share reverse takeover following a US delisting.

In addition, we also benefit from the increasing cross-border M&A opportunities for PRC companies. For example, in 2014, we acted as the lead coordinator and independent financial advisor for Nanjing Xinjiekou Department Store Co., Ltd. (南京新街口百貨商店股份有限公司) for acquiring Highland Group Limited, a retail enterprise in the United Kingdom. This acquisition was the largest overseas investment by a listed company in the PRC retail industry.

Equity Underwriting

We provide equity underwriting services, including follow-on offerings (such as private placement and rights issues), convertible bond offerings as well as IPOs, for PRC corporate clients. During the Track Record Period and the three months ended March 31, 2015, we acted as the lead manager for 54 equity underwriting transactions in China, underwriting an aggregate of RMB48.3 billion. In 2012, 2013 and 2014 and the three months ended March 31, 2015, income from our equity underwriting business was RMB351.0 million, RMB169.8 million, RMB471.7 million and RMB102.4 million, respectively.

In recent years, we have received the following major awards in recognition of our equity underwriting business:

- TOP 10 Sponsors for Listing Companies (最佳上市公司保薦機構 TOP10) by Sina.com and Xinhua.com in 2014;

- "Best IPO Sponsor Team" (最佳IPO保薦團隊) by Securities Times in 2013; and

- "Best Sponsor in 2011" (2011年度最佳保薦機構獎) by Shenzhen Stock Exchange in 2012.

The following table sets forth a breakdown of equity financing transactions by type in which we acted as a lead underwriter:

		Year ended December 31,			Three months ended March 31,	
		2012	2013	2014	2014	2015
As a lead underwriter						
Follow on offerings .	Number of issues	2	10	16	—	8
	Amount lead-underwritten(1) *(RMB in millions)*	2,048.7	10,760.8	19,186.6	—	6,152.2
	Underwriting fees *(RMB in millions)*	34.8	145.2	212.4	—	35.3
	Average commission rate	1.70%	1.35%	1.11%	—	0.57%
Convertible bonds	Number of issues	—	1	1	—	—
	Amount lead-underwritten(1) *(RMB in millions)*	—	500.0	867.0	—	—
	Underwriting fees *(RMB in millions)*	—	18.0	14.5	—	—
	Average commission rate	—	3.60%	1.67%	—	—
IPOs	Number of issues(2)	9	—	5	3	2
	Amount lead-underwritten(1) *(RMB in millions)*	4,975.2	—	3,125.3	1,390.9	673.4
	Underwriting fees *(RMB in millions)*	290.3	—	220.3	100.5	65.0
	Average commission rate	5.83%	—	7.05%	7.23%	9.65%

(1) Based on our operating records.
(2) During the Track Record Period, we acted as both a sponsor and lead underwriter for all the IPOs underwritten by us.

We maintain a full-service investment banking business which is led by the M&A advisory business. Through exploring our clients' financing needs during and after their M&A transactions, we explore equity underwriting opportunities with added-value.

During the Track Record Period and the three months ended March 31, 2015, we participated in 21 ancillary financing projects for major reorganizations, with an aggregate offering amount of RMB9.2 billion. We provided innovative M&A financing to clients including Bluefocus Communication and DHC Software which facilitated the completion of their investment banking transactions. For equity underwriting, we have many clients maintaining long-term relationship with us and showing great trust and loyalty. During the Track Record Period and the three months ended March 31, 2015, a number of our follow-on offerings clients were also our M&A clients, such as Inner Mongolia Xingye Mining Co., Ltd., Zhonghong Real Estate Co., Ltd. and Sichuan New Hope Agribusiness Co., Ltd. In addition, we are dedicated to provide ongoing investment banking services to many of our strategic clients.

We served a wide range of clients in our equity underwriting business, including large state-owned enterprises, such as China Merchants Securities Co., Ltd., China CNR Corporation Limited, Tangshan Jidong Cement Co., Ltd., Anhui Province Wenergy Company Limited and Bank of Nanjing Co., Ltd., well-known privately-owned enterprises, such as Zhonghong Holding Co., Ltd., Yango Group Co., Ltd., Jiangsu Yabang Dyestuff Co., Ltd., DHC Software, Beijing UTour

International Travel Service Co., Ltd. and Jiangsu Yanghe Brewery Joint-Stock Co., Ltd., and mixed-ownership enterprises, such as Inner Mongolia Yili Industrial Group Co., Limited.

The following table sets out certain major equity underwriting offerings in which we acted as a lead underwriter for the periods indicated:

Year	Nature	Issuer	Offering size (RMB in billions)	Our role	Project Features
2014	Private placement	China Merchants Securities Co., Ltd.	11.2	Joint lead underwriter	The largest private placement in the non-banking financial industry in terms of offering size from 2012 to 2014.
2013	Private placement	Inner Mongolia Yili Industrial Group Co., Limited	5.0	Lead underwriter	This private placement provided opportunity for us to start long-term cooperation with the issuer in multiple transactions, including mergers and acquisitions, fund formation, and equity incentive schemes.
2012	Private placement	Tangshan Jidong Cement Co., Ltd.	1.9	Lead underwriter	The closing price at the first day of trading was 20% higher than the initial offering price despite of the weak performance of A share stock market.
2012	IPO	Ye Chiu Metal Recycling (China) Ltd.	1.4	Lead underwriter	An A share IPO following the issuer's unlisting from the Malaysia stock exchange.

Our equity underwriting business experienced sustained growth during the Track Record Period. The total amount of equity securities underwritten by us in 2012, 2013 and 2014 was RMB7.0 billion, RMB11.3 billion and RMB23.2 billion, respectively, with a CAGR of 81.7% from 2012 to 2014:

- We continue to optimize the product mix in our equity underwriting business. In 2012, we underwrote an aggregate of RMB7.0 billion of equity securities as a lead underwriter, among which approximately 70.8% was from IPOs. We underwrote an aggregate of RMB3.1 billion of IPOs as a lead underwriter in 2014, accounting for 13.5% of the total amount of equity securities underwritten by us in 2014, reflecting our reduced reliance on the IPO underwriting.
- As of March 31, 2015, we had acted as the sponsor and lead underwriter for 55 IPOs on China's SME Board since its inception in 2004, ranking us No. 3 among PRC securities firms. As of March 31, 2015, we had acted as the sponsor and lead underwriter for 19 IPOs on the ChiNext Board since its inception in 2009, ranking No. 5 among PRC securities firms.
- We have a strong track record in sponsoring and underwriting A share IPOs. In 2012 and 2014, the number of IPO transactions underwritten by us ranked No. 4 and No. 5 in the

industry, respectively (A share IPO approval was suspended in 2013). As of March 31, 2015, we had 64 sponsor representatives and another 55 candidates for the sponsor representative qualification.

- We maintained rapid growth in follow-on offering underwriting. In 2012, 2013 and 2014, the total amount of follow-on offerings underwritten by us was RMB2.0 billion, RMB10.8 billion and RMB19.2 billion, respectively, representing a CAGR of 206.0% from 2012 to 2014, which is the highest growth rate among the large-scale securities firms in China with over RMB50.0 billion of total assets.

Debt Underwriting

We have a full-license debt underwriting business which underwrites enterprise bonds, corporate bonds, SME private bonds, debt financing instruments of non-financial institutions, financial bonds and asset-backed securitization. We are a member of the syndicate for treasury bonds issued by the MOF and financial bonds issued by three policy banks in China. We are qualified as the lead underwriter for debt financing instruments of non-financial enterprises by the National Association of Financial Market Institutional Investors in November 2012. During the Track Record Period and the three months ended March 31, 2015, we acted as the lead underwriter for 90 debt offerings, raising an aggregate of RMB128.6 billion for our clients. In 2012, 2013 and 2014 and the three months ended March 31, 2015, income from our debt underwriting business was RMB279.8 million, RMB215.1 million, RMB175.4 million and RMB15.3 million, respectively.

In recent years, we have achieved great success in our debt underwriting business by leveraging on our extensive experience in bond underwriting as well as our comprehensive understanding of the regulatory environment. In 2007, we underwrote the first corporate bonds issuance in the PRC securities market, by China Yangtze Power Co., Ltd., which created a milestone for the PRC debt capital market. In 2009, we underwrote the corporate bonds of Jiangsu Guoxin Investment Group limited, which was the largest bond offering in Jiangsu Province in the same year. We differentiate ourselves from our competitors through our pricing, execution and market evaluation capabilities as well as our substantial investor base.

In recent years, we received the following major awards in recognition of our debt underwriting business:

- "Best Corporate Bonds Project—Weifang GoerTek Group Company Limited" (最佳公司債項目—濰坊歌爾集團有限公司) by New Fortune in 2014;
- "Best Underwriting Project in China in 2014—2013 Corporate Bonds of Nanjing State-owned Assets Investment & Management Holding (Group) Co., Ltd. (2014中國區最佳債券承銷項目—2013年南京市國有資產投資管理控股 (集團) 有限責任公司公司債券) by Securities Times in 2014;
- "Best Corporate Bonds Project—Jiangsu Guoxin" (最佳企業債項目—江蘇國信) by New Fortune in 2013;
- "Most Promising Bonds Underwriter" (最具成長性債券承銷商) by Securities Times in 2013; and
- "Best Bonds Underwriting Project—2012 First Tranche Corporate Bonds of Suning Commerce Group Co., Ltd.—Huatai United" (最佳債券承銷項目：華泰聯合證券—蘇寧電器2012年第一期公司債) by Securities Times in 2013.

The following table sets out the breakdown by product type of debt offerings in which we acted as a lead underwriter for the periods indicated:

		Year ended December 31,			Three months ended March 31,	
		2012	2013	2014	2014	2015
As a lead underwriter						
Enterprise bonds	Number of transactions	13	8	9	4	1
	Amount underwritten[1] *(RMB in billions)*	11.9	12.3	6.3	3.2	1.7
	Underwriting fees *(RMB in millions)*	112.0	95.4	78.4	0.03	8.2
	Average commission rate	0.94%	0.78%	1.25%	0.91%	0.49%
Corporate bonds	Number of transactions	5	3	4	—	1
	Amount underwritten[1] *(RMB in billions)*	7.4	18.5	10.5	—	1.5
	Underwriting fees *(RMB in millions)*	49.3	61.4	22.7	—	6.9
	Average commission rate	0.67%	0.33%	0.22%	—	0.46%
Financial bonds	Number of transactions	2	—	5	—	—
	Amount underwritten[1] *(RMB in billions)*	6.8	—	22.5	—	—
	Underwriting fees *(RMB in millions)*	20.9	—	25.0	—	—
	Average commission rate	0.31%	—	0.11%	—	—
Short-term financing bills	Number of transactions	—	—	2	—	3
	Amount underwritten[1] *(RMB in billions)*	—	—	0.85	—	1.4
	Underwriting fees *(RMB in millions)*	—	—	4.8	—	3.4
	Average commission rate	—	—	0.57%	—	0.25%
Others	Number of transactions	—	6	24	3	4
	Amount underwritten[1] *(RMB in billions)*	—	1.1	19.48	0.2	6.5
	Underwriting fees *(RMB in millions)*	—	44.9	129.7	0.01	3.6
	Average commission rate	—	3.97%	0.67%	4.97%	0.05%

(1) Based on our operating records.

We charge underwriting commission and fees on debt financing transactions based on comparable market fee rates, the size of financing and market conditions. In recent years, we have extended our client base from local state-owned enterprises to large- and medium-sized central government-owned enterprises, state-owned enterprises and different types of private enterprises.

During the Track Record Period, some major bond financing transactions for which we acted as the lead underwriter included:

Year	Nature	Issuer	Offering size (RMB in billions)	Our role	Features
2014	Financial bonds	Shenyin & Wanguo Securities Company Limited	10.0	Lead underwriter	The largest subordinated bonds issued by a securities firm in 2014
2014	Tier-II capital bonds	Bank of Jiangsu Co., Ltd.	12.0	Lead underwriter	The largest Tier-II capital bonds of municipal commercial banks in 2014
2014	Financial bonds	Bank of Jiangsu Co., Ltd.	9.0	Lead underwriter	The largest financial bonds issued by a commercial bank in 2014
2013	Government-backed bonds	China Railway Corporation	20.0	Lead underwriter	Our largest debt underwriting transaction for the past three years
2013	Financial bonds	China Merchants Securities Co., Ltd.	10.0	Lead underwriter	Corporate bonds issued by a securities firm
2012/2013	Corporate bonds	Suning Commerce Group Co., Ltd.	8.0 (RMB4.5 billion for 2012 tranche and RMB3.5 billion for 2013 tranche)	Lead underwriter	The only corporate bonds issued by private enterprises with both issuer and bond rating of AAA in 2012 and 2013

Our debt underwriting business achieved rapid growth in the past three years. According to Wind Info, our market ranking increased from 18th in 2012 to 10th in 2014 in terms of the number of debt securities underwritten. According to the same source, our market ranking increased from 18th in 2012 to 9th in 2014 in terms of the amount of debt securities underwritten.

We consider innovation as a main driving force for our debt underwriting business. Recent examples of our innovative debt underwriting transactions include:

- RMB5 billion perpetual medium-term notes of Aluminium Corporation of China Limited (中國鋁業股份有限公司) was the largest issue of perpetual medium-term notes in 2014;
- SME exchangeable private placement bonds of Weifang GoerTek Group Company Limited (濰坊歌爾集團有限公司) was the largest exchangeable bond issue with the lowest interest rate in 2014; and
- Collateralized loan obligations issued by Hankou Bank and Nanchong City Commercial Bank were the first asset-backed securitization projects for Hubei and Sichuan.

We believe that achievements in innovation can increase the brand value and market position of our debt underwriting business.

OTC Business

In March 2013, we obtained approval to conduct the NEEQ recommendation business and began to provide recommendation services as chief agency broker to help unlisted companies to enter into the NEEQ (also known as the "New OTC Board") for share quotation and transfer. We recommended two companies in 2013, ten companies in 2014 and four companies in the three months ended March 31, 2015 for share quotation and transfer on the NEEQ. In addition, we actively arrange follow-on financing for listed companies. In 2013, 2014 and the three months ended March 31, 2015, income from our OTC business was RMB4.1 million, RMB34.2 million and RMB6.9 million, respectively.

In 2013, we contributed RMB104.0 million to the establishment of Jiangsu Equity Exchange in which we hold a 52.0% equity interest. As of March 31, 2015, Jiangsu Equity Exchange had 116 listed companies. We believe Jiangsu Equity Exchange provides cross-selling opportunities for our other business lines and helps us explore and identify more investment opportunities for our private equity funds.

NEEQ and Jiangsu Equity Exchange are the key elements for our investment banking services during the clients' entire business cycles. We believe the further development of the multi-tiered capital markets in China, the rapid expansion of the OTC market and improvements in regulatory rules will benefit our OTC business.

Asset Management

We commenced our asset management business in 2005. We provide securities-firm asset management services and develop asset management products based on our clients' the asset size and needs. We operate our private equity asset management business through Huatai Zijin Investment, our wholly-owned subsidiary. We also hold non-controlling equity interests in two mutual fund management companies, China Southern Asset Management and Huatai-PineBridge. As of March 31, 2015, the combined AUM of our securities-firm asset management business and our associated asset management companies totaled RMB773.9 billion, making us one of the largest asset managers in the PRC securities industry.

Our securities-firm asset management services primarily include:

- ***Collective asset management schemes***: we manage clients' assets for a group of clients through designated accounts pursuant to applicable laws and in accordance with the collective asset management contracts;
- ***Targeted asset management schemes***: we manage client's assets for a single client pursuant to the specific terms of the bilateral contracts between the client and us through a designated account; and
- ***Specialized asset management schemes***: we manage client's certain assets for a specialized purpose.

The following table sets forth a breakdown by product type of the AUM and revenue of our different asset management schemes for the periods indicated:

	As of or for the year ended December 31,						As of or for the three months ended March 31,			
	2012		2013		2014		2014		2015	
	AUM	Revenue	AUM	Revenue	AUM	Revenue	AUM	Revenue	AUM	Revenue
	(RMB in billions)	(RMB in millions)	(RMB in billions)	(RMB in millions)	(RMB in billions)	(RMB in millions)	(RMB in billions)	(RMB in millions)	(RMB in billions)	(RMB in millions)
Collective asset management schemes	11.3	69.5	21.8	240.3	57.8	615.8	21.7	110.2	71.3	185.6
Targeted asset management schemes	40.3	17.2	110.8	74.1	284.5	142.4	203.8	23.1	335.4	46.5
Specialized asset management schemes	—	—	0.1	—	3.2	0.4	0.1	—	3.5	—
Total	**51.6**	**86.7**	**132.7**	**314.4**	**345.5**	**758.6**	**225.6**	**133.4**	**410.2**	**232.1**

In July 2014, we received the CSRC approval to establish our asset management subsidiary, Huatai Asset Management. In December 2014, Huatai Asset Management obtained the license for securities business with a business scope covering asset management and it plans to apply for the mutual funds management license to provide mutual funds products, to strengthen our competitive edge in the asset management business.

Collective Asset Management

As of March 31, 2015, we had 45 outstanding collective asset management schemes, covering equity market, bond market, money market and hybrid funds, with a total AUM of RMB71.3 billion. For collective asset management schemes, we generally charge annual management fees as a percentage of the amount of AUM, generally between 0% and 2.7% and we also charge performance fees on certain schemes.

Below are the details of our key collective asset management schemes:

- "Daily Gain" (天天發): a cash management product utilizing client deposits which allows our clients to enjoy an interest rate higher than the prevailing bank demand deposit interest rate on their surplus deposits with us without prejudice to customer trading activities. According to the Asset Management Association of China, as of December 31, 2014, "Daily Gain" is the largest asset management scheme in China utilizing client deposits in terms of AUM, accounting for approximately 35.9% of the total amount of our clients' deposits.
- "Tou Rong Bao" (投融寶): a collective asset management scheme that uses the proceeds raised primarily for securities-backed lending. According to the Asset Management Association of China, it ranked 11th among over 2,000 collective asset management products in China in terms of AUM as of December 31, 2014.

We invest in our certain collective asset management schemes to attract customers. As of March 31, 2015, the fair value of our capital contribution in these collective asset management schemes totaled RMB1.7 billion, of which approximately RMB1.4 billion was invested in the subordinated tranche of these schemes. As both the asset manager and the holder of the subordinated tranche, we agree with our clients that if the investment return on the senior tranche of these schemes falls below certain anticipated yield, we are required to compensate our clients for the shortfall up to the amount of our expected contribution to the subordinated tranche of such scheme. See "Risk Factors—Risks Relating to Our Business and Industry—A significant decline in the size of our AUM or a poor investment performance may materially and adversely affect our asset management business."

Targeted Asset Management

We enter into a targeted asset management contract with a single institutional client, pursuant to which we provide asset management services, such as trading in a portfolio of equity securities, trust products and bank deposits, on behalf of such client through the specialized securities accounts under the client's name. In general, our targeted asset management schemes have a minimum subscription amount of RMB1.0 million. For targeted asset management schemes, we receive management fees as a certain percentage of the amount of AUM, generally between 0% and 1.9%. Given the substantial increase in market demand for fee-based targeted asset management schemes which facilitate the management of bank-sourced asset management products, the AUM of our targeted asset management schemes increased significantly in 2013, 2014 and the three months ended March 31, 2015. As of March 31, 2015, the AUM of our targeted asset management schemes amounted to RMB335.4 billion, of which channel-based schemes accounted for 87.9%.

Specialized Asset Management

As of March 31, 2015, we had two outstanding specialized asset management schemes with a total AUM of RMB3.5 billion.

In March 2013, the CSRC issued the Administrative Measures on Asset Securitization of Securities Companies (證券公司資產證券化業務管理規定), which further promotes and supports the development of the asset securitization business. On February 28, 2014, the CSRC approved the specialized asset management scheme for the entry tickets of Guangzhou Chime-Long Theme Park, under which we acted as the manager and underwriter for the issue and sale of RMB3.2 billion of asset-backed securities, which were issued to institutional investors on August 29, 2014. These asset-backed securities were used to invest in a given amount of entry tickets owned by Guangzhou Chime-Long Theme Park for a period of eight years. The asset-backed securities consisted of eight tranches with maturity terms ranging from one to eight years and the senior tranche was rated "AA+" by China LianHe Credit Rating Co., Ltd. The management fee we charge for this scheme is fixed at RMB1.0 million per year.

In November 2013, we introduced "Zi Quan Tong" (資券通), a specialized asset management scheme which enables retail or institutional investors to use exchange-traded securities in lieu of cash to subscribe for our schemes. This innovative asset management scheme enables our customers to mobilize and earn returns on the securities they hold while allowing us to possess additional securities for our securities lending business. The management fee rate of "Zi Quan Tong" is between 0.5% and 1.5%.

Private Equity Funds Management

We operate our direct investment business through our wholly-owned subsidiary, Huatai Zijin Investment. Our direct investment activities involve investment in, and management of, private equity funds. The following table sets forth a summary of our private equity funds as of March 31, 2015:

Fund Name	Time of establishment	Fund management company	Subscribed fund size	The percentage of our capital subscription to the fund	Investment balance as of March 31, 2015	Industry and investment focus
			(RMB in millions)		(RMB in millions)	
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership) (華泰紫金 (江蘇) 股權投資基金 (有限合夥))	January 2013	Huatai Ruitong Investment Management Co., Ltd. (華泰瑞通投資管理有限公司) in which Huatai Zijin Investment held a 54% equity interest	2,000.0	45.75%	RMB438.0 million of equity investment and RMB5.0 million of debt investment	Equity investment, M&A and restructuring of enterprises mainly in the healthcare and consumer industries.
Huatai Ruilin Equity Management (Limited Partnership) (深圳市華泰瑞麟股權投資基金合夥企業 (有限合夥))	September 2014	Huatai Ruilin Investment Management (Limited Partnership) (華泰瑞麟基金投資管理合夥企業 (有限合夥)) in which Huatai Zijin Investment held a 51% equity interest	1,000.0	30.0%	107.5	Equity and equity-linked investment in enterprises mainly in TMT, environmental protection and energy conservation.
Huatai Ruilian Funds Mergers (Limited Partnership) (北京華泰瑞聯併購基金中心(有限合夥))	March 2014	Huatai Ruilian Funds Management Co., Ltd. (華泰瑞聯基金管理有限公司) in which Huatai Zijin Investment held a 51% equity interest	1,000.0	30.0%	951.7	Focus on providing M&A financing in industries including TMT, consumer, healthcare and pharmaceutical, advanced manufacturing, environmental protection and energy.
Jiangsu Emerging Industry Investment Fund (Limited Partnership) (江蘇新興產業投資基金 (有限合夥))	April 2014	Jiangsu Emerging Industry Investment Co., Ltd. (江蘇省新興產業投資管理有限公司) in which Huatai Zijin Investment held a 51% equity interest	5,000.0	43.6%	39.7	Focus on new energy, new materials, biotechnology and pharmaceuticals, energy conservation and environmental protection, software and services outsourcing, Internet of Things and IT.

For private equity funds management, we generally charge a management fee as a percentage of the subscribed amount, generally between 1.5% and 2% per year. In 2012, 2013 and 2014 and the three months ended March 31, 2015, income from our private equity funds management was RMB31.3 million, RMB64.0 million, RMB129.7 million and RMB23.5 million, respectively.

China Southern Asset Management and Huatai-PineBridge

We also share the profits of two associated companies, namely China Southern Asset Management and Huatai-PineBridge, which are major mutual fund management companies in China.

We are the largest shareholder of China Southern Asset Management, holding 45.0% of its equity interest. Established in 1998, China Southern Asset Management is one of the first fund management companies established in China, offering a diverse range of fund products. As of March 31, 2015, China Southern Asset Management had a total AUM of RMB292.0 billion and served approximately 16 million clients. As of March 31, 2015, China Southern Asset Management had 60 mutual funds under management which totaled RMB193.5 billion. China Southern Asset Management has been awarded "the Eleventh China Golden Fund—Bond Investment Returns Award" by Securities Times in 2014, "Most Influential Fund Management Brand" by Ifeng.com in 2012 and "Golden Bull Fund Management Company" by Securities Times in 2013.

Huatai-PineBridge is a Sino-foreign joint venture fund management company in which we and PineBridge Investments LLC (柏瑞投資有限責任公司) each holds 49.0% of equity interest with the remainder held by a third party. Huatai-PineBridge is one of the first Sino-foreign joint venture companies to issue ETFs and the manager of the first cross-market ETF in China, namely Huatai PineBridge Shanghai-Shenzhen 300 ETF. In terms of the daily average trading turnover, Huatai PineBridge Shanghai-Shenzhen 300 ETF ranked No. 1 in the PRC equity ETF market in 2014 with the highest daily trading turnover of RMB8.7 billion. As of March 31, 2015, Huatai-PineBridge managed total assets of RMB62.7 billion. Dividend ETF of the Shanghai Stock Exchange, which was issued by Huatai-PineBridge, was awarded "Golden Fund—Index Fund Award" by Shanghai Securities Times in 2012. Huatai PineBridge Shanghai-Shenzhen 300 ETF was awarded "Golden Fund—Index Fund Award" by Shanghai Securities Times in 2014, "Golden Bull Award for Open-ended Index Fund" by Securities Times in 2014, and "China's Best New ETF" by Asia Asset Management in 2012.

Investment and Trading

We endeavor to achieve "low-risk, stable return and sizeable growth" in our investment and trading business. We engage in the trading of equity and fixed-income securities and other financial products for our own account and apply advanced trading techniques for mitigating investment risks and improving return. In addition, to meet our clients' investment, financing and risk management needs, we also develop OTC financial products and trade with our clients over-the-counter.

The following table sets forth the average cost of, and average rate of return from, our investment and trading activities for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2012	2013	2014	2015
Average cost of investment and trading *(RMB in millions)*	**18,440.2**	**20,832.6**	**25,432.7**	**30,842.3**
Stocks(1)	3,889.2	2,406.2	4,348.3	8,698.3
Funds(1)	385.1	532.9	1,478.2	1,796.9
Debt securities(1)	13,117.2	14,361.6	15,839.6	15,643.8
Derivative financial instruments(1)	237.0	323.8	339.1	712.9
Others(1)(2)	811.7	3,208.2	3,427.5	3,990.4
Average rate of return from investment and trading(3)	**4.92%**	**3.43%**	**9.59%**	**4.29%**

(1) Average cost of investment and trading is calculated by dividing the Company's aggregate daily costs of open trading positions by the number of days in the relevant period. These numbers did not include the value of securities managed by us under consolidated structure entities.
(2) Others primarily include asset management schemes, trust schemes and wealth management products offered by financial institutions in China.
(3) Average rate of return from investment and trading is calculated by dividing the Company's aggregate net investment gains and other comprehensive income (less impairment loss) of available-for-sale financial assets (before income tax) by average cost of investment and trading.

In 2012, 2013 and 2014 and the three months ended March 31, 2015, segment revenue and other income from our investment and trading business amounted to RMB735.9 million, RMB545.9 million, RMB2,421.4 million and RMB1,230.3 million, respectively, representing 10.5%, 6.1%, 15.2% and 16.7% of our total revenue and other income, respectively. In 2012, 2013 and 2014 and the three months ended March 31, 2015, the average monthly VaR of our investment and trading portfolio at a 99% confidence interval was RMB72.5 million, RMB59.9 million, RMB46.0 million and RMB90.8 million, respectively.

Equity Investment and Trading

In our equity investment and trading business, we engage in the trading of stocks, ETFs and derivatives for our own account.

We emphasize value investing to capture mid- to long-term investment opportunities in selected sectors and stocks. We explore and identify equity securities with relatively higher "safety margin" based on industry analysis, market cycles analysis, market tracking, changes in regulations and macro elements as well as behaviors of market participants. In addition, we have actively engaged in hedging and quantitative trading, such as Alpha trading and arbitrages, in our equity trading and developed multiple trading strategies which enable us to capture additional investment opportunities amid changing market conditions while minimizing our risk exposure irrespective of market fluctuations.

We principally rely on CSI 300 Index futures to effectively hedge the volatility of our equity securities portfolio and to enhance the stability of our equity trading. At the end of each month in 2014, the hedging ratio (the ratio of the short positions of our CSI 300 Index futures trading to the long positions of our equity trading) of our equity investment and trading ranged from approximately 73% to 95%. In addition, our quantitative trading activities primarily involve the following:

- ***Alpha trading***: a type of computer-assisted quantitative trading strategy with the aim of achieving stable and absolute returns. Alpha trading is known for its low risk exposure and stable return.

- ***CSI 300 Index futures arbitrage***: we study the market and take advantage of the disparity between spot price and futures price of the CSI 300 Index, and trade on the spot and futures markets at opposite directions for a risk-free profit after transaction cost.
- ***ETF arbitrage***: we study the market and take advantage of the disparity between the market price and indicative net value of an ETF, and we buy or redeem the ETF with the underlying securities for a risk-free profit after transaction cost.

We adjust our trading strategies from time to time based on market conditions and our judgments and we do not separately track the scale of each type of hedging and quantitative trading activities. With the introduction of more diverse derivative instruments in China, such as individual stock options and new index futures, and as more investment strategies become available for securities firms, we expect to utilize more futures and derivative instruments to expand our hedging and quantitative trading activities.

Our hedging and quantitative trading activities are managed by over 20 members in our trading department, led by the general manager of such department who has five years of working experience in quantitative trading. Our quantitative trading activities are jointly overseen by the risk management team of our trading department and our Risk Management Department. See "—Risk Management and Internal Control Measures in Our Major Business Lines—Investment and Trading Business—Equity investment and trading."

In addition, we also actively engage in market-making services for exchange-traded financial products. In 2012, we became qualified to offer market-making for Huatai-Pinebridge CSI 300 Index ETF. In 2015, we became one of the eight PRC securities firms to be qualified for offering market-making for SSE50 ETF options.

Fixed-income Investment and Trading

In our fixed-income investment and trading business, we engage in the trading of various types of fixed-income securities for our own account on the PRC interbank bond market and stock exchanges, principally including treasury bonds, financial bonds, PBOC notes, medium-term notes, short-term commercial papers, corporate bonds, enterprise bonds and convertible bonds. We also trade derivative instruments, principally interest rate swaps and treasury bond futures, to mitigate market and interest rate exposures in our fixed-income trading. In 2014, we were one of the six PRC securities firms to be awarded the "Excellent Proprietary Trader" in the PRC bond market by China Central Depository & Clearing Co., Ltd.

For the risk management and internal control of fixed-income investment and trading businesses, see "—Risk Management and Internal Control Measures in Our Major Business Lines—Investment and Trading Business—Fixed-income investment and trading."

In July 2014, we became qualified to offer market-making services in the PRC interbank market on a trial basis. In addition, we endeavor to expand our fixed-income investment and trading business to include commodities and foreign currencies. In November 2014, we became qualified for the brokerage of spot contracts for gold, silver and platinum and proprietary trading of spot contracts for gold. In December 2014, we became a member of the Shanghai Gold Exchange.

OTC financial products and trading

In October 2014, we became qualified to offer and trade OTC financial products with clients. We established a product development and trading platform for our OTC financial products and created procedures and policies for this emerging business. Our OTC financial products mainly include:

- *Equity return swaps*: an OTC derivatives transaction, through which we and a qualified client agree to conduct an income swap in accordance with the agreed amount of nominal principal and income within a fixed period in the future. The income under such swap is linked with the performance of the subject equity securities including stocks and indexes. In 2014 and the three months ended March 31, 2015, we traded 27 and nine equity return swaps on the OTC market, respectively.
- *Structured notes*: a type of marketable debt securities issued by securities firms with the payment of principal and return linked to specific underlying assets. We privately place structured notes with a limited number of qualified investors to raise financing for our business. In 2014 and the three months ended March 31, 2015, we issued 16 and 29 structured notes, raising an aggregate amount of RMB2.3 billion and RMB5.7 billion, respectively.
- *Asset management schemes*: we also offer some of our collective asset management schemes to our clients through the OTC market.

In addition, in August 2014, we became qualified to offer market-making services to the shares quoted on the NEEQ, which is intended to provide liquidity to the NEEQ market and incentivize trading on the NEEQ. As of March 31, 2015, we have provided market-making services to 13 companies quoted on the NEEQ.

Overseas Business

We expanded our business to the overseas market in November 2006 through establishing Huatai Financial Holdings, a wholly-owned subsidiary in Hong Kong. The registered capital of Huatai Financial Holdings increased from HK$50.0 million at its inception to HK$1,000.0 million as of March 31, 2015. As of March 31, 2015, Huatai Financial Holdings had total assets of approximately HK$4.8 billion.

Huatai Financial Holdings has obtained the requisite licenses to conduct the following businesses:

Investment banking: We provide investment banking services, namely the sponsorship of IPOs on the Hong Kong Stock Exchange for PRC and foreign companies, equity and debt underwriting, advising on cross-border M&A and providing financing solutions for clients.

Sales and trading: We provide securities trading and market-making, provision of fixed-income, credit, futures contracts and structured products, as well as customized products for clients. We also provide our retail and institutional clients with global securities and futures brokerage services and margin financing services.

Asset management: We provide portfolio and fund management services for our institutional clients, high net-worth and retail customers. We have developed various types of Renminbi asset management products by leveraging Hong Kong's position as the leading offshore Renminbi center. As of March 31, 2015, we managed three RQFII funds and four separately managed accounts, with a combined AUM of RMB2,107.1 million.

Since 2014, we have further strengthened our overseas investment banking, sales and trading and asset management businesses by recruiting highly experienced investment banking management personnel and international talents.

Leveraging our abundant clients resources, products and techniques as well as our sound research capabilities in China, we are strategically expanding our international operations and utilizing our overseas business platform to meet our clients' growing demands for global financial services driven by China's economic transformation and development, including the demands of the PRC companies for overseas listing and financing, cross-border M&A and the increasing investments from overseas investors in China through the Hong Kong capital markets. We believe that our overseas platform could create greater value for our existing and prospective clients in China and overseas.

INFORMATION TECHNOLOGY

The continuous development of technology and the Internet has changed the ways that securities and other financial products are traded, distributed and settled and the way that financial service providers serve their customers. This creates both opportunities and challenges for our business. Our strategy is to prioritize the development of our information technology and emphasize the importance of IT support to business development. It is our commitment to be at the forefront of technological innovation in the PRC securities industry. Our IT team has developed several innovative technology systems in the securities industry, such as the CRM system and "ZhangLe Fortune Path" mobile wealth management terminal. We expect our leading IT infrastructure to be one of the driving forces for future business growth and enhancing our competitive strengths.

We have the following principal IT systems and platforms for our business operations, risk controls and management purposes:

- ***Core business platforms:*** We have developed customized IT systems for our various business lines, primarily including a brokerage business platform and an investment platform for investment and trading and asset management business. The brokerage business platform supports, among others, remote account opening, sales and trading, customer sourcing and marketing and customer services. The investment platform combines trading, order management and risk management functions. With the investment platform, we achieved centralized electronic examination and approval, commands, transactions, settlement and risk control relevant to our investment and trading business.
- ***Data management system:*** We have a centralized data management system that collects and processes the business data of our entire Group in order to meet data exchange requirements among various business lines and for regulatory reporting purposes. This data management system also provides data mining and statistics to support our decision-making process and customer services.
- ***CRM system:*** In 2007, through our cooperation with a leading international software provider, we developed an enterprise-wise CRM system, which, after years of upgrades and improvement, has achieved the management of customer relationship by tier, dedicated management of brokerage business and collection of comprehensive customer

information. This system is capable of tracking customer's trading behaviors and categorizing customer groups accordingly. Currently, our CRM system has centralized and digitized all service and transaction-related data for each customer, enabling us to offer customized services to clients, conduct targeted marketing, provide standardized products and services based on client groups and manage client credit and risks effectively.

- ***Online account opening system:*** As brokerage clients are allowed to open accounts without being physically present in a securities branch, it is convenient for new clients to open brokerage accounts (excluding margin financing and securities lending accounts) remotely following simple instructions for easy registration and verification procedures. Our ability to offer online account opening has enabled us to reach clients beyond the physical boundaries of our branch network.

- ***Mobile apps:*** To meet the rising clients' demand for more convenient trading and wealth management services, we launched a mobile wealth management terminal named "ZhangLe" (漲樂) for both Apple iOS and Android systems in 2010. After years of improvements, we launched an upgraded mobile wealth management terminal "ZhangLe Fortune Path" (漲樂財富通), featuring account opening, transaction execution, securities trading, sale of financial products, account management and market information, covering our brokerage and wealth management businesses. Our "ZhangLe Fortune Path" ranked No. 1 among mobile securities apps reviewed by Sina.com in 2014 with its industry leading technical performance, stability, information security and user experience.

- ***Risk management and compliance and legal systems:*** We have dedicated risk management and legal and compliance systems to achieve the centralized management of various business-related risks by the centralized monitoring of key risk control parameters. Our risk management system has over 40 modules that monitor our Net Capital, brokerage business as well as investment and trading business. By the cross-check of systematic data, and the automatic identification, collection and reporting of the risk-related data, we realized risk alerts throughout our business lines.

We monitor our various trading activities, such as brokerage, margin financing and securities lending and trading and investment activities, on a real-time basis, and monitor post-settlement transactions, customer accounts and risk control indicators to manage our risks. Our advanced IT infrastructure is vital for us to properly manage all categories of risks based on an enterprise-wide approach. We adopt technologies to implement our risk management policies across all business lines and management procedures while enhancing risk management efficiency. For example, we have established the "Circuit Breakers" mechanism to avoid human or system errors in our investment and trading business and our mandatory "stop-loss" mechanism restricts or halts our trading activities automatically when market conditions and stock prices move significantly. In addition, our CRM system enables us to categorize our clients based on credit, monitor our clients' credit and evaluate their collateral, and achieve automated adjustments of our clients' credit limit on an ongoing basis so as to mitigate credit risk in our capital-based intermediary businesses.

To manage the risks inherent in our e-Platform and in Internet finance in general, we have utilized various IT safety controls, including firewalls, data encryption and intrusion detection, client identity verifications, dynamic and mobile number-linked passcodes, SSL certificates as well as IP and MAC address tracking, to safeguard our and our clients' information safety and ensure the smooth operation of our IT systems. In addition, we have recruited dedicated personnel to develop our in-house credit risk management and process management systems for our e-Platform. To reduce risks from system failures, we have adopted measures to back up data for our key systems and we maintain data recovery centers in Nanjing and Shenzhen. During the Track Record Period, we did not experience any material IT malfunction or failure.

We devote substantial resources each year to optimize and upgrade our IT systems. We provide secure, stable and personalized technology services to support our growing business operations. As of March 31, 2015, our IT department consisted of 236 technicians who are responsible for technical development as well as operation and maintenance. Our IT-related capital expenditures in 2012, 2013 and 2014 and the three months ended March 31, 2015 amounted to RMB210.0 million, RMB200.0 million, RMB250.0 million and RMB47.4 million, respectively. As part of our business strategy, we plan to adopt leading technologies to support our business innovation, such as developing new IT systems to support quantitative trading and "big data" analytics; continuing to improve our customer-centric IT service platforms, particularly the PC and mobile terminals; and upgrading and strengthening critical IT infrastructure relating to our operational and management functions. We believe our well-developed IT system will improve our operational efficiency, transaction management, and the quality of our customer service and internal management.

MAJOR CLIENTS AND SUPPLIERS

We serve a diverse set of institutional and individual clients across a spectrum of sectors. Our major clients range from large corporations and SMEs to retail and high net-worth clients. Our clients are primarily located in China. We expect to serve more overseas clients as we seek to further expand our business internationally in the future.

In 2012, 2013 and 2014, the revenue attributable to our five largest customers accounted for less than 30% of our total revenue.

To the knowledge of our Directors, none of our directors, supervisors and their respective associates or any shareholders holding more than 5% of our issued share capital has any interests in any of our five largest customers as of the Latest Practicable Date.

We have no major suppliers due to the nature of our business.

MARKET AND COMPETITION

As of December 31, 2014, there were 120 registered securities firms in China. The PRC securities industry is highly regulated and PRC securities firms are subject to extensive regulatory requirements on various perspectives, including business licenses, scope of products and services, business development and risk control. Competition in the PRC securities industry has been and is likely to remain intense. In 2013, according to Wind Info, in terms of operating income and profit, the top ten securities firms in China constituted an aggregate of 43.2% and 54.4% of the total market share in China, respectively. In addition, according to Wind Info, we ranked No. 4 among securities firms in China in terms of both total assets and net assets as of December 31, 2014, and ranked No. 5 in terms of revenue in 2014.

For the securities brokerage business, we compete primarily with other PRC securities firms, such as CITIC Securities Co., Ltd., Guotai Junan Securities Co., Ltd., China Galaxy Securities Co., Ltd. and Haitong Securities Co., Ltd., in terms of pricing and the range of products and services offered. For the investment banking business, we compete primarily with other PRC and Sino-foreign joint venture securities firms as well as PRC commercial banks in terms of brand recognition, marketing and underwriting capacity, service quality, execution capacity, financial strength and pricing. For the asset management business, we compete primarily with fund management companies, banks, insurance companies, trusts and other securities firms in the PRC in terms of the range of products and services offered, pricing and quality of customer service.

Some of our competitors may enjoy certain competitive advantages, including greater financial resources, more sophisticated management experience and more advanced information technology systems, wider geographic coverage and the ability to offer more financial products and services than us. In addition, with the deregulation in China's securities industry, more competitors are seeking to enter or expand in the market. We believe that the financial service industry in China is becoming increasingly competitive, which will accelerate the transitional innovation and differentiated development of PRC securities firms. See "Risk Factors—Risks Relating to Our Business and Industry—The PRC securities industry is highly competitive and the gradual deregulation may cause new market competitors to enter into the market which could adversely affect our businesses and prospects."

INTELLECTUAL PROPERTY RIGHTS AND CORPORATE NAMES

Our Company was established in Jiangsu Province, PRC in 1991 and was renamed as 华泰证券有限责任公司 in December 1999 and has since been carrying on business under the names "华泰" and/or "华泰证券" and/or its variations in the PRC. We have been operating in Hong Kong through our wholly-owned subsidiary Huatai Financial Holdings, which, since its incorporation in November 2006 and subsequently licensed with the SFC in April 2007, has been providing a variety of financial services under its own name. As of the Latest Practicable Date, we have registered ten trademarks and 22 domain names in the PRC and are in the process of applying for the registration of seven trademarks in the PRC, which include names such as "华泰" and/or its English acronym and/or its variations. We have also filed applications to the Trade Marks Registrar for registration as owner of the trademarks "" and "HTSC" and their combination (the "HTSC Trade Marks"), which are confirmed to have been received by the Trade Marks Registrar. See "Appendix VII—Statutory and General Information—2. Further Information about Our Business—B. Our Intellectual Property Rights" to this prospectus for additional information.

We have also applied for the registration of the Initial Trademark Applications which include names such as "华泰证券" and "华泰金控" in Hong Kong on July 2, 2014 in Class 35 covering the services of "advertising, business management, business administration, office functions" and Class 36 covering the services of "insurance, financial affairs, monetary affairs, real estate affairs". We have received a Notice of Opinion from the Trade Marks Registrar on December 9, 2014 in which the Trade Marks Registrar has expressed the initial view that the Initial Trademark Applications do not appear to meet the requirements for registration by reason of Section 12(3) of the Trade Marks Ordinance (Cap 559). In particular, the marks, the subject matter of the Initial Trademark Applications are considered to be similar to the prior registrations of (i) "華泰"/"华泰" mark registered and held by Huatai AM Co; and (ii) "HKWT 香港華泰控股 and device" mark registered and held by HK Wah Tai Holdings. So far as our Company is aware, (i) Huatai AM Co was incorporated in Hong Kong on June 20, 2007, engages in advising on securities and asset management regulated activities as licensed by the SFC; and (ii) HK Wah Tai Holdings was incorporated in Hong Kong on November 15, 1994. See "Risk

Factors—Risks Relating to Our Business and Industry—The use of our Chinese and English corporate names and Chinese Approved Name by our Company in this prospectus and the use of them in the course of trade or business in Hong Kong may be challenged due to potential third party trademark infringement and passing off claims. We have adopted a different business name and Chinese Approved Name in Hong Kong as a result and we may not be able to benefit from our well-known brand name in the PRC" for additional information. The Initial Trademark Applications will be refused unless we make written representations to the Trade Marks Registrar on or before June 9, 2015. Such representations may include submissions that the objections to the Initial Trademark Applications based on Section 12(3) may be overcome by evidence of "honest concurrent use" of the marks. We are in the course of preparing the response to the Trade Mark Registrar, which may be submitted to the Trade Mark Registrar. In addition, we have received a demand letter from solicitors acting for Wah Thai Securities Limited (華泰證券有限公司) on December 29, 2014, alleging that our Initial Trademark Applications and use of any name or mark containing "華泰" (or its Putonghua transliteration "Huatai") by us amounts to passing off of their common law rights in the name and mark "華泰", "Wah Tai" and "Wah Thai". So far as our Company is aware, Wah Thai Securities was incorporated in Hong Kong on June 29, 1990, engages in dealing in securities regulated activities as licensed by the SFC. We have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 16, 2014 under our English corporate name "Huatai Securities Co., Ltd." and Chinese corporate name "華泰證券股份有限公司". On April 9, 2015, we were served a notice under section 780 of the Companies Ordinance in respect of our Chinese corporate name registered under Part 16 of the Companies Ordinance, which was, in view of the Registrar of Companies, "too like" that of the Chinese name of the local company "華泰證券有限公司" already registered under the Companies Ordinance, Cap 622 or the predecessor Ordinance, Cap 32. We applied for, and the Registrar of Companies approved, "華泰六八八六股份有限公司" as our approved Chinese corporate name pursuant to section 782 of the Companies Ordinance ("Chinese Approved Name"). The Chinese Approved Name was registered with the Registrar of Companies on May 11, 2015. Save as the above, we have not been subject to any other material infringement of our intellectual property rights or allegations of infringement of such rights by third parties during the Track Record Period.

We have been advised by our counsel, Mr. John M. Y. Yan, S.C., that:

(i) in respect of our pending Initial Trademark Applications, (a) Wah Thai Securities may succeed in any opposition that Wah Thai Securities may file against our applications for registration of the composite trademarks containing "华泰证券" and "华泰金控" in so far as they are sought to be registered in respect of services which are not very different from those in respect of which Wah Thai Securities has used its name "華泰"; and (b) the Trade Mark Registrar may not waive the citations of the earlier trademarks registered and held by Huatai AM Co and/or HK Wah Tai Holdings;

(ii) in respect of the use of "華泰"/"华泰" in our Chinese name and/or "Huatai" in our English name in the course of trade or business in Hong Kong in relation to services identical or similar to the services offered by Wah Thai Securities or Huatai AM Co (through its Hong Kong incorporated subsidiary Huatai Asset Management (Hong Kong) Company Limited (華泰資產管理(香港)有限公司)), such use by our Company and/or Huatai Financial Holdings may be subject to challenges from Wah Thai Securities and/or Huatai AM Co, and such challenges may take the form of claims for (a) trademark infringement, which is only actionable by the owner of a registered trademark (in the case of Huatai AM Co); and/or (b) passing off (in the case of Wah Thai Securities and Huatai AM Co through its subsidiary);

(iii) in respect of the risk of an interlocutory injunction being granted by the Hong Kong courts against any use made by our Company and/or Huatai Financial Holdings of the name or mark "華泰"/"华泰"/"Huatai" and/or any name or mark comprising "華泰"/"华泰"/"Huatai" in the course of trade or business in Hong Kong, whilst the risk cannot be completely ruled out, compelling arguments (if relief is sought by Wah Thai Securities) and strong arguments (if relief is sought by Huatai AM Co) are available to our Company and Huatai Financial Holdings against the granting of such interlocutory injunction. However, should such interlocutory injunction be granted, we and any member of our Group should refrain from carrying on business in Hong Kong under the name or mark comprising "華泰"/ "华泰"/"Huatai"; and

(iv) in respect of the stock name "華泰證券" used in the Northbound trading of our A Shares under the Shanghai-Hong Kong Stock Connect (滬港通), being referred to under such stock name under the Shanghai-Hong Kong Stock Connect does not amount to "carrying on business" under section 781 of the Companies Ordinance or "carrying on any activity" for the purpose of any passing off or trade mark infringement claims.

To minimize the possible risks arising from potential trademark infringement and/or passing off claims and any application for interlocutory injunctive relief based on such claims, we have resolved to adopt the following mitigating measures:

(i) our Company has adopted the business name "HTSC" and will trade and carry on business in Hong Kong as well as issuing the prospectus in relation to the Listing and publication of corporate communications after our Listing under this business name instead of our corporate names 華泰證券股份有限公司 (or our Chinese Approved Name under section 782 of the Companies Ordinance, namely 華泰六八八六股份有限公司) or Huatai Securities Co., Ltd. However, our Company will continue to be referenced as "華泰證券" in the list established, maintained and published from time to time pursuant to Rule 1409(1) of the Rules of the Exchange of the Stock Exchange for the Northbound trading under the Shanghai-Hong Kong Stock Connect which is the quoted reference of our A Shares stock short name. As advised by our counsel, Mr. John M. Y. Yan, S.C., being so referred to under the Shanghai Hong Kong Stock Connect does not amount to "carrying on business" under section 781 of the Companies Ordinance or "carrying on any activity" by us in Hong Kong for the purpose of any passing off or trade mark infringement claims;

(ii) we have applied for the registration of the HTSC Trade Marks. We have received a letter from our legal advisor that given that (i) as of the Latest Practicable Date, none of us, our trademark agent or our legal advisor was aware of any mark having been filed or registered by any third party that may be considered confusingly similar to the HTSC Trade Marks and (ii) we have been using our logo "" since June 21, 1996 without any claim of infringement or passing off by any third party, material legal impediments are not expected in respect of the applications of the HTSC Trade Marks;

(iii) by virtue of our listing on the Exchange, we will carry on our business in Hong Kong by maintaining a branch share registrar and corporate communications with our H Shareholders upon our Listing. We will refer to ourselves as "HTSC" in all media communications initiated or conducted by us in Hong Kong instead of using our Chinese Approved Name under section 782 of the Companies Ordinance, namely 華泰六八八六股份有限公司 when carrying on the above licensed business or other business (if any) in Hong Kong;

(iv) we will put a prominent notice on our existing website at www.htsc.com.cn upon our Listing such that any users accessing the website outside PRC have to expressly acknowledge that the Company is a PRC incorporated company and is referred as and carries on business in Hong Kong as "HTSC"; and

(v) as a SFC licensed person and an Exchange Participant, Huatai Financial Holdings will continue to be the platform within our Group to provide securities, brokerage and other financial related services in Hong Kong under its registered corporate name, and is in a better or stronger position in defending against potential claims by reason of the long use of its names as advised by Mr. John M.Y. Yan, S.C..

As advised by our counsel, Mr. John M. Y. Yan, S.C., with the above steps and measures taken, the risks of Wah Thai Securities and/or Huatai AM Co (or its Hong Kong subsidiary) successfully making a claim for either infringement of trademark or passing off against our Company would be effectively reduced. It is noted that we are required, for compliance purposes, to make reference to our original corporate name in Chinese "华泰证券股份有限公司" in our corporate communication documents, including announcements and circulars after our Listing.

We are fully aware of the Complaint Letter filed with the Stock Exchange on May 4, 2015 by solicitors acting for Wah Thai Securities and the potential litigation; threat of litigation; interlocutory injunction application; other actions or claims that may follow. We have taken various measures in good faith to mitigate the risks associated with the use of our corporate names in Hong Kong. More importantly, as explained above, in the view of our counsel, Mr. John M.Y. Yan, S.C., there are valid arguable defenses available against the passing off claims and very compelling arguments can be made against the grant of any interlocutory injunctive relief applied for based on such claims if this is indeed sought and applied for by Wah Thai Securities. As such, we are of the view that even if court proceedings were to be initiated by Wah Thai Securities against us in Hong Kong, it would not have material adverse impact on our Company.

We have successfully registered "华泰" as our trademark in the PRC, pending the issuance of the formal registration certificate by the competent authority. The registration was made and approved under Class 3602, the classification covering the financial services pertinent to those offered by our Group, making us the only holder of "华泰" trademark under such classification. Whilst customers of financial services are generally more careful in choosing service providers and should be able to distinguish one from another, should there be any infringement of our rights under the registered trademark "华泰" in relation to any service covered under Class 3602 resulting in our economic loss or reputational damage, we will take appropriate measures including without limitation, requests for clarification, injunctions or legal actions against the tortfeasors.

INSURANCE

We maintain insurance coverage for certain of our assets, including IT equipment and motor vehicles. Consistent with customary industry practice in the PRC, we do not maintain any business interruption insurance.

We believe that we have maintained such insurance coverage as we consider necessary and sufficient for our operations and customary for the industry in which we operate. Moreover, our policies are subject to standard deductibles, exclusions and limitations. Therefore, insurance might not necessarily cover all losses incurred by us and we cannot provide any assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies.

All of our insurance policies are underwritten with reputable insurance providers and we review our insurance policies annually.

EMPLOYEES

We believe that our professional workforce is the foundation of our long-term growth. As of December 31, 2014 and the Latest Practicable Date, we had 6,421 and 6,458 employees, respectively. The following table sets forth a breakdown of our employees by business function as of the Latest Practicable Date:

	Number of Employees	Percentage
Brokerage personnel	4,731	73.3%
Investment banking personnel	444	6.9%
Asset management personnel	129	2.0%
Investment personnel	120	1.9%
Researchers	172	2.7%
Compliance and risk control personnel	167	2.6%
IT personnel	244	3.8%
Financial personnel	165	2.6%
Administration personnel	217	3.4%
Others	69	1.1%
Total	**6,458**	**100.0%**

The following table sets forth a breakdown of our employees by geographic region as of the Latest Practicable Date:

	Number of Employees	Percentage
Jiangsu Province	2,349	36.4%
Other provinces in the PRC	3,987	61.7%
Hong Kong	122	1.9%
Total	**6,458**	**100.0%**

As of the Latest Practicable Date, 5,268 employees had bachelor's degrees or above, accounting for 81.6% of our total employees, and 6,045 employees obtained relevant professional qualifications, accounting for 93.6% of our total employees.

In compliance with relevant laws and regulations in China, we have signed a labor contract with each employee to protect his or her rights and interests. All of our employees enjoy fair and lawful treatment. For example, we provide basic pension insurance, basic medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and housing provident funds.

Our sustainable growth and expansion also depends on our employees' performance and loyalty. We have adopted a market-based remunerative structure that links employees' remuneration with their performance. Our performance evaluation system provides the basis for human resource decisions such as remuneration adjustments, career promotion and talent cultivation. In addition, we provide our employees with supplementary compensation benefits, such as additional paid annual leave, healthcare subsidies and family care.

In order to improve the professional skills of our employees, we have established a comprehensive and diverse training system, providing our employees with both internal and external training programs. Our internal training programs consist of a combination of on-site, video conference and online training. In 2005, we launched our e-learning platform, "Online College", with mandatory requirements for each employee to finish 20 credits each year. In addition, we sponsor our senior management and key employees to attend training and exchange programs at well-known universities or institutions in China and overseas.

During the Track Record Period and for the three months ended March 31, 2015, we did not have any strikes, protests or other material labor conflicts that may materially impair our business and image. We have established a labor union and we believe that we have maintained a good relationship with our employees and value their importance at all times.

PROPERTIES

Our corporate headquarters are located at No.228 Middle Jiangdong Road, Nanjing City, Jiangsu, China. As of April 30, 2015, we owned 153 properties in the PRC with an aggregate gross floor area of approximately 126,346.4 square meters and two parcels of land with an aggregate gross floor area of approximately 45,344.8 square meters. In addition, we leased 263 properties with an aggregate gross floor area of approximately 167,826.7 square meters.

As of December 31, 2014, our property interests represented approximately 1.5% of our total assets and no single property accounted for 15% or more of our total assets by book value. Accordingly, this prospectus is exempt from the requirement under Chapter 5 of the Hong Kong Listing Rules and section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Owned Properties

As of April 30, 2015, among our 153 owned properties in the PRC, we have obtained complete and valid building ownership certificates and land use rights certificates for 106 properties with a gross floor area of approximately 101,996.2 square meters, representing approximately 80.7% of the aggregate gross floor area of the properties that we owned. Our PRC legal advisors confirmed that we have the legal ownership of these properties and therefore have the right to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties. In addition, as of April 30, 2015, we have obtained the relevant building ownership certificates and administrative allocated land use rights certificates for five properties with a gross floor area of approximately 1,666.6 square meters, representing approximately 1.3% of the aggregate gross floor area of the properties we owned. We have been advised by our PRC legal advisors that there will be no material legal obstacle for us to occupy and use these five properties, but our rights to transfer, lease, mortgage or dispose of such properties are restricted unless we obtain the granted land use rights certificates by paying the relevant land use premiums.

As of April 30, 2015, among the properties we owned, we have not obtained proper building ownership certificates and/or land use rights certificates for 42 properties in the PRC with a total gross floor area of approximately 22,683.6 square meters, representing 18.0% of the aggregate gross floor area of our owned properties. Among these properties:

- We have only obtained the building ownership certificates but not the land use rights certificates for 30 properties with a gross floor area of approximately 16,651.2 square meters, representing approximately 13.2% of the aggregate gross floor area of the properties we owned due to various reasons, such as (i) property developers failed to assist in carrying out the application procedures, (ii) the original property developers failed to obtain all the required building construction permits, (iii) the original property owners refused to cooperate with us to obtain the land use right certificates, or (iv) construction of the project has not been fully completed. We use most of these properties as offices with the remainder as our staff quarters, canteens or leased to third parties.

  Our PRC legal advisors are of the view that (i) given that we have obtained the building ownership certificates for those properties, we are entitled to occupy and use such properties. However, we may not freely transfer, mortgage or dispose of them until we obtain the corresponding land use right certificates; (ii) if the underlying land is auctioned or disposed of due to the defective land use right, the properties located on such land would be also auctioned or disposed of at the same time in accordance with the relevant PRC laws and regulations. In such case, we will lose the ownership of such properties but will be entitled to receive the amount from the disposal of the properties.

- Due to the facts that (i) we could not divide the ownership of the building due to legacy reasons; (ii) certain of the buildings are affordable housings; (iii) the original property owner was liquidated and could not assist in obtaining the relevant building ownership certificates for us; or (iv) the buildings are built on the collectively-owned land, we have not obtained the building ownership certificates nor the land use rights certificates for 12 properties with a gross floor area of approximately 6,032.4 square meters, representing approximately 4.8% of the aggregate gross floor area of the properties we owned. We use majority of these properties as residences for our employees, and the remainder as operating space.

While we are unable to ascertain when the relevant authorities will grant us the relevant title certificates, we are using our commercially reasonable efforts to obtain the relevant title certificates for all of such properties. In the event we are unable to obtain such title certificates and are required to relocate, we will be able to find substituted place nearby and although we may incur additional relocation costs therefrom, our Directors and PRC legal advisors confirmed that there would be no material impact on our business or financial condition or on this Global Offering.

We have not been advised by any government authority or third parties to cease our use of the properties with defective titles for our business activities, or pay fines or make compensations. In addition, we have been advised by our PRC legal advisors that we can legally occupy or use 73.4% of the owned properties with defective titles and we, together with our PRC legal advisors, believe that with respect to the remaining 12 owned properties with defective titles, if necessary, we would be able to replace such properties with comparable alternative buildings and at a minimal cost. Given the above, our Directors believe that the above 42 owned properties with defective titles are not crucial to, and will not have a material impact on our business or financial condition.

In addition, our Directors are also of the view that such properties with defective titles are generally in good condition and are safe for us to use. In addition, given the use of the relevant properties and that we can relocate at minimum cost, we do not expect that the costs for the 42 properties with defective titles would be materially different had the relevant building ownership certificates and/or land use right certificates been obtained.

Owned Land and Properties under Construction

As of April 30, 2015, we owned two parcels of land with a total site area of 45,344.8 square meters. We have used them to build our new headquarters. As advised by our PRC legal advisors, we have obtained valid land use rights for these two parcels.

As of April 30, 2015, we held one property under construction with a planned gross floor area of approximately 247,789.3 square meters, for which we have been granted the relevant land use right certificates and the planning and construction permits required under PRC law. As of April 30, 2015, construction of this property is still ongoing. We have been advised by our PRC legal advisors that upon completion of the construction and inspection of the property, there would not be any material legal impediment for us to obtain the relevant building ownership certificate.

Leased Properties

As of April 30, 2015, we leased 262 properties in the PRC with an aggregate gross floor area of approximately 166,013.8 square meters. Our leased properties are primarily used for business and office purposes, with a gross floor area ranging from approximately 35.0 square meters to 13,221.0 square meters. In addition, we have a small number of leased properties being used for residential purposes, with a gross floor area ranging from approximately 87.0 square meters to 1,151.7 square meters.

For 228 leased properties with an aggregate gross floor area of 146,498.0 square meters, representing approximately 88.2% of the aggregate gross floor area of the buildings we leased, our landlords had obtained the relevant building ownership certificates. Our PRC legal advisors are of the view that the landlords of these 228 leased properties are the owners of, or authorized persons to lease or sublease, the respective properties. The landlords have obtained valid title to the respective leased properties and the lease agreements are legally effective.

For the remaining 34 leased properties with an aggregate gross floor area of 19,515.8 square meters, representing approximately 11.8% of the aggregate gross floor area of the buildings we leased, our landlords had not obtained the relevant building ownership certificates. We use these 34 properties primarily as offices and branches. As of April 30, 2015, we are not aware of any incidents that have arisen due to the safety conditions of these properties and we are not aware that the relevant building ownership certificates were not obtained due to the safety conditions of these properties.

Our Directors confirm and our PRC legal advisors believe in the event that we are unable to enforce the lease agreements and are required to relocate due to the defective titles of the leased properties or the invalidity of the lease agreements, we will be able to find substituted place nearby. Our Directors and PRC legal advisors confirmed that although we may incur additional relocation costs therefrom, there would be no material impact on our business or financial condition or this Global Offering. Our Directors are of the view that the defective titles will not individually or collectively have a material and adverse effect on our business because (i) our PRC legal advisors confirmed that we can sue under the lease agreements against each of the relevant lessor to recover the costs we incur and losses we suffer as a result of the defective title; (ii) we have not incurred any material losses or not been subject to any material adverse change due to the defective title of such properties as of April 30, 2015; (iii) we do not consider these 34 properties crucial to our core business given their small size; and (iv) we believe we are able to relocate in a timely manner at minimum expense and this would not materially affect our business or financial position.

In addition, our Directors are also of the view that the rental costs for the 34 properties with defective title would not be materially different should the landlords obtain the relevant land use rights and/or building ownership certificate.

Overseas Properties

We leased two properties with an aggregate gross floor area of approximately 22,000 square feet in Hong Kong. We used both of these two properties as office space. These lease agreements have been entered into in accordance with local legal requirements and are valid and binding.

RISK MANAGEMENT

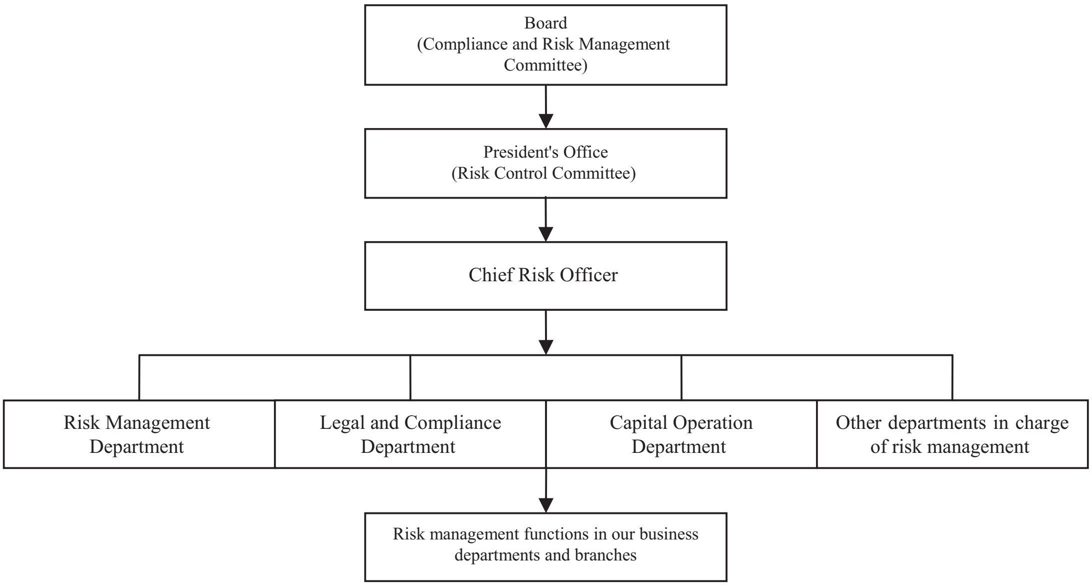
Overview

We are committed to the philosophy that risk management creates value. Our risk management aims to be in line with, and to further our business strategies. Through active risk management, we aim to reduce uncertainties related to our business strategies. Since our incorporation in 1991, we have established sound corporate governance, as well as effective risk management and internal control systems in order to manage our risk exposure in the securities market. As a result of our sound capital base, effective risk management and internal control systems, as well as other criteria, we have received an "AA" regulatory rating from the CSRC (the highest rating given to PRC securities firms so far), for five consecutive years since 2010. For details of the factors taken into account by the CSRC in assigning regulatory ratings, see "Regulatory Environment."

Risk Management System

In accordance with the requirements of the *Guidelines for the Internal Control of Securities Companies* (《證券公司內部控制指引》) and taking into account our operational needs, we have established a five-level risk management structure, consisting of: (i) the Board; (ii) the President's Office; (iii) the Chief Risk Officer; (iv) the relevant departments in charge of risk management; and (v) risk management functions in our business departments and branches.

The following chart sets out our risk management structure:



Board

The Board is our highest risk management decision-maker and is ultimately responsible for the effectiveness of our overall risk management system. The Board is responsible for: (i) overseeing our overall risk management targets, risk management policies and internal control systems; (ii) optimizing the governance structure and authorization system; (iii) reviewing the risk management organizational structure and respective responsibilities; and (iv) instructing other departments on their risk management responsibilities.

The Compliance and Risk Management Committee is tasked by the Board to undertake risk management responsibilities, which mainly comprise: (i) reviewing and making recommendations on the overall compliance and risk management targets and fundamental policies; (ii) reviewing and making recommendations on the organizational structure and responsibilities of compliance and risk management functions; (iii) evaluating and making recommendations on the risks of major decisions which require the Board's review, as well as the solutions to these risks; and (iv) reviewing and making recommendations on compliance and risk management reports which require the Board's review. As of March 31, 2015, our Compliance and Risk Management Committee comprised four members and was led by Mr. Sun Lu (孫魯). These members had an average working experience in finance and securities industries over ten years and most of them had finance- or economic-related backgrounds.

President's Office

The President's Office is our highest risk management executive body. The Risk Control Committee is established under the President's Office and its major responsibilities include: (i) formulating risk management policies and establishing risk management mechanisms; (ii) allocating risk management quotas as approved by the Compliance and Risk Management Committee of the Board; (iii) formulating our authorization systems; and (iv) reviewing risk evaluation reports of capital management, asset management and major projects within the scope of authorization. As of March 31, 2015, our Risk Control Committee comprised 13 members and was led by our President, Mr. Zhou Yi (周易). These members had an average working experience in financial and securities industries of 14 years and eight of them held master's or higher degrees.

Chief Risk Officer

Our Chief Risk Officer is responsible for our overall risk management work. Our Chief Risk Officer is nominated by the President and appointed by the Board. Our current Chief Risk Officer is Ms. Li Yun (李筠), who has over 19 years of experience in the financial industry.

The major responsibilities of our Chief Risk Officer include: (i) promoting the establishment of the overall risk management system, risk management procedures and systems; (ii) leading our risk management departments, monitoring, evaluating and reporting our overall risk level; (iii) examining, evaluating and providing recommendations on the risk management of our innovative businesses; (iv) being responsible for the appointment, dismissal and appraisal of risk management personnel; (v) cultivating good risk management culture within the Company and carrying out risk management training and education; (vi) developing methods and instruments of advanced risk management to improve risk management efficiency; (vii) assisting, guiding and inspecting the risk management work of various departments and branches; (viii) making risk management recommendations in line with our business development; and (ix) dealing with major risks and events and implementing our business risk management review policies.

Relevant Departments in Charge of Risk Management

Our relevant departments in charge of risk management include:

- the Risk Management Department, which is responsible for our overall risk management, monitoring, evaluating and reporting our overall risk level and providing risk management advice in relation to our business strategies. It is also responsible for assisting, guiding and inspecting the risk management function of various departments and branches and conducting independent risk assessments and evaluations of our innovative businesses and businesses or projects that may be exposed to significant risks;
- the Legal and Compliance Department, which is responsible for our compliance and legal risk management, assisting our Chief Compliance Officer to review, supervise and inspect the compliance of both our business operation and staff's practicing behaviors;
- the Capital Operation Department, which is mainly responsible for our liquidity risk management, capital management, financing management and capital allocation;
- other departments in charge of risk management mainly include the IT Department, the Planning Department and the Internal Audit Department: the IT Department is responsible for our information technology risk management, preventing and rectifying any technical malfunctions or data leakage, and improving the stability and efficiency of our IT system, thereby ensuring normal business operation; the Planning Department is responsible for our reputational risk, formulating and implementing our brand strategy and is also responsible for media relations, public relations and crisis management, so as to maintain and improve our brand image; and the Internal Audit Department is responsible for the auditing and examination of the effectiveness and execution of our risk management procedures as well as conducting an overall evaluation of our risk management system at least once a year.

Risk Management Functions in Business Departments and Branches

Various departments and branches are responsible for our frontline risk management functions. Their responsibilities include: (i) formulating operation and management measures for internal control and risk management of their various departments and branches; (ii) closely and effectively monitoring, inspecting, evaluating and reporting the execution of our risk management policies and procedures by their respective departments and branches as well as their respective staff; and (iii) communication between the Legal and Compliance Department and the Risk Management Department, and their respective departments and branches.

Risk Management Procedures

We have also established a comprehensive risk management process for identifying, assessing, addressing, monitoring and inspecting and reporting risks:

- *Identifying risks*: Our business departments identify, collect data and conduct analysis on the risks, based on their respective business features, business development and market changes, following which they will determine the nature of these risks, classify them and identify their causes.
- *Assessing risks*: Our Risk Management Department is responsible for reviewing the risks identified by each business department and aggregating risks at the Group level in order to evaluate our overall risk exposure and issue independent risk evaluation opinions.
- *Addressing* risk*s*: We prepare specific strategies to address various risks based on the identification and assessment of the risks.
- *Monitoring and inspecting risks*: We have established risk monitoring systems, such as our real-time monitoring system, under which our Risk Management Department and all business departments closely monitor key risk indicators and manage abnormal behaviors; in addition, we conduct inspection of the establishment and execution of risk management policies of each department on a regular or an ad hoc basis.
- *Reporting risks*: We have established a risk reporting mechanism for effective communication of risks among branches, business departments, the Risk Management Department, management and the Board.

Monitoring and Management of Major Risks

We monitor and manage credit risk, market risk, liquidity risk, compliance risk and operational risk in our businesses.

Credit Risk

Credit risk refers to the risk resulting from the failure of a debtor or counterparty to perform its contractual obligations on time. Our credit risk mainly exists in our fixed-income investment and trading business and capital-based intermediary businesses.

For credit risk in our fixed-income investment and trading business, we have developed and refined our internal credit rating system, limiting or prohibiting investments in bonds with low ratings.

For credit risk in our capital-based intermediary businesses (such as margin financing and securities lending), we focus on improving our client suitability management and due diligence procedures. We analyze the credibility and risk tolerance of our clients before determining the credit ratings and credit limits of our clients. In addition, we closely monitor the maintenance margin ratios/ collateral coverage ratios for capital-based intermediary businesses and promptly contact clients for any irregular trading activities in order to avoid any losses resulting from defaults by our clients.

Market Risk

Market risk refers to the possibility of loss or a decrease in income of our Company resulting from changes in the market, including the risk of price fluctuation in equity-based assets, interest rate risk and exchange rate risk. Our market risk mainly arises from our investment and trading business.

To minimize market risk, we have adopted the following measures:

- comprehensively identifying price fluctuations in interest rates, stocks, exchange rates, commodities and other financial assets, and evaluating and reporting market risks based on various quantitative indicators such as risk value, risk exposure and risk sensitivity;
- carrying out diversified asset allocation and investment strategies, and actively adopting various derivative instruments for hedging risks; and
- setting suitable market risk limits for different business operations which bear market risk, such as VAR limits, risk exposure limits and duration limits, and monitoring risks to ensure compliance with our risk preferences and risk bearing capacity.

Liquidity Risk

Liquidity risk relates to the risk that securities firms could not get timely capital injection under reasonable cost, to repay due debts, fulfill other payment obligations or satisfy the capital needs for normal business operation.

In order to prevent liquidity risk, we have adopted the following measures:

- continuously monitoring our overall liquidity risk through risk indicator systems such as Liquidity Coverage Ratio and Net Stable Funding Ratio;
- implementing maximum limits on the business scale and capital usage amount of each business department. Such limits include leverage ratios, financing concentration and the liquidity of financial assets; and
- using our IT system to monitor our liquidity indicators on a daily basis. Based on the liquidity indicators, we can allocate our available funds properly and resort to short-term instruments to replenish our liquidity when needed.

Compliance Risk

Compliance risk refers to the risk of being subject to legal sanctions, regulatory measures, self-regulatory discipline penalties and monetary loss or damage to reputation as a result of business activities or employee conduct violating laws, regulations or rules.

In order to manage compliance risk, we place an emphasis on cultivating a corporate culture of operating in compliance with laws and regulations, and we have also established an effective and suitable compliance management system as follows:

- we have established a sound compliance management organization structure which we adjust according to changes in the market environment, regulatory requirements and business development needs. This also allows us to enhance the performance capabilities of our compliance management personnel;
- we have established a set of compliance management systems taking into account management and operational practices, and we continuously refine and improve various compliance management rules to adapt to changes in regulatory requirements;
- we examine, monitor and review the compliance of our business operation and staff's practicing behaviors as well as implement various compliance management mechanisms such as compliance consultation, training, examining, inspection, monitoring and accountability; and
- in line with the principles of effective management of conflicts of interest and money laundering risks, we ensure that appropriate Chinese Walls are put in place and focus on anti-money laundering.

Operational Risk

Operational risk refers to the risk of direct or indirect financial loss resulting from the incomplete or problematic internal operation procedures, and personnel, systems or external events. In order to minimize operational risk, we have adopted the following measures:

- establishing an operational risk management system which serves to implement risk control, allow self-evaluation, monitor key risk indicators, and establish an efficient risk reporting mechanism to collect and analyze financial loss data;
- establishing a technical safeguard system and improving our real-time monitoring system, ensuring risk prevention and prudent operation and prioritizing internal control in various operational management activities, especially those related to new branch or new businesses or products, and formulating and improving relevant policies;
- enhancing our review and audit processes and imposing penalties for breach of internal policies; and
- emphasizing on employee training to increase employee compliance awareness and risk management capabilities.

RISK MANAGEMENT AND INTERNAL CONTROL MEASURES IN OUR MAJOR BUSINESS LINES

We have implemented various risk management and internal control measures to manage the risks associated with our business activities.

Brokerage and Wealth Management Business

Securities Brokerage

We have formulated comprehensive internal rules and guidelines for our securities brokerage business to ensure compliance with the relevant laws and regulations and to standardize the operations of our securities brokerage business. During the Track Record Period, we did not experience any unauthorized trade or serious trade error committed by our employees or other misconduct committed by our representatives, agents and clients that had a material adverse effect on our business, financial condition or results of operations.

We mainly focus on the credit risk, operational risk and compliance risk in our securities brokerage business. We manage these risks primarily through the following measures:

Standardized accounts management	We have in place requirements for the verification of client identity, storage of client information as well as examination of client accounts before and after opening. We have also established a system to supervise the opening and re-examination of client accounts.
Understanding the risk profiles of clients	We evaluate the risk profiles of our clients based on a combination of factors including their financial condition, investment experience and investment preferences. In addition, we assess the risk tolerance of our clients by using our risk tolerance assessment system and a risk tolerance questionnaire. We classify our brokerage clients into five categories according to their risk tolerance, namely "active," "comparatively active," "prudent," "comparatively conservative" and "conservative," so as to offer suitable financial products that match their respective risk preferences.
Third-party custody of client funds	In accordance with the relevant laws and regulations regarding the client funds custody, our headquarters are required to maintain accounts with recognized commercial banks for the deposit of client funds for settlement.
Real-time monitoring system	Through our IT system, we are able to monitor client transactions on a real-time basis and to identify any unusual or irregular trading activities. We have dedicated personnel to monitor account opening, security of funds and trading activities of clients on a real-time basis and to report any irregularities to the operation department and regional head offices.
Centralized management	To prevent misappropriation of client deposits, we have centralized the storage of our clients' trading data. We have also centralized management of the securities brokerage trading systems of our branches. Settlement is centralized at our headquarters to enhance the security of client deposits.

Segregation of front and back offices	We supervise and manage the front and back offices of our branches separately. We have a dedicated control team that manages the level of authority and division of duties among our staff. The audit, settlement and risk management personnel of our back office are prohibited from participating in sales and marketing, client account management and the handling of client deposits.
Segregation of businesses	We require our securities brokerage business to be segregated from other businesses with conflicts of interest, such as research and investment and trading. Major functions, such as account-opening, management of funds, order-taking as well as clearing and settlement, are also clearly segregated. Clients' funds and our own funds are managed separately. Our IT systems for securities brokerage business and other businesses with conflicts of interest are mutually independent or physically separated. We also maintain the confidentiality and segregation of sensitive information of our securities brokerage business. We have measures in place to prevent staff from revealing client information, inducing client transactions or improperly using client information for the interests of other business departments or staff.
Regular and special audits	Our Internal Audit Department, Legal and Compliance Department and Risk Management Department conduct regular and ad hoc audits on our brokerage business and securities branches for their internal control, daily operation, finance and accounting management and business operation.
Highlighting risks to investors	We continuously strengthen investor education and improve the risk-highlighting functions of our trading system in order to improve investors' risk awareness and risk management capabilities.
Follow-up calls and handling client complaints	We have established a coordinated client service platform to make follow-up calls to clients. At the same time, we also prominently display our hotlines, email addresses and fax numbers for client enquiry on our website and at our branches to ensure that client enquiries are addressed properly and promptly.

Futures Brokerage Business

We conduct our futures brokerage business through Huatai Futures, which manages the risks related to the futures brokerage business through the following measures:

Account management	Huatai Futures adopts requirements for client identification in the account opening process. After clients are fully informed of the risks of futures trading and assessed for their eligibility, they will be required to enter into futures brokerage contracts and other risk disclosure documents. In order to ensure that proper services are provided in the best interest of clients, Huatai Futures classifies its clients through an assessment system and offers services and adopts risk management measures accordingly.
Client margin deposit management	Huatai Futures manages client margin deposits and its own funds separately under different accounts. Margin deposit ratio will be promptly adjusted based on the client's creditworthiness and market conditions. Clients will be required to provide additional margin or to close out the positions if the required margin deposit ratio is not met.
Trading	Huatai Futures has formulated various policies to regulate futures trading. In particular, employees are prohibited from entering into non-compliant entrustment arrangements, guaranteeing profits or participating in futures trading. Huatai Futures maintains key trading records of clients in various ways.
Real-time monitoring	Huatai Futures monitors risks on a real-time basis during the trading process, focusing on high-risk accounts and irregular trading activities, such as opposite positions in a sharply volatile market and positions close to an adjustment period. The failure of clients to supplement margin deposits in time will result in forced liquidation of positions. In addition, Huatai Futures provides real-time warnings on irregular trading activities and other anomalies.

Sales of Financial Products

In order to manage risks related to the sale of third-party financial products, we have a filtering product selection and evaluation system for determining whether a third-party financial product is eligible for our clients:

- For publicly-raised third-party financial products, we first identify products that we believe are investment-worthy and subsequently select products after taking into account market and client demands. We further analyze the risks and awards of the financial products of our choice and submit feasibility reports on the selected products to our product evaluation committee for approval.

- For trust schemes and privately-raised third-party financial products, we first conduct a preliminary evaluation based on product information which is followed by an on-site evaluation of the underlying client or project. After that, we submit feasibility reports on these products to our product evaluation committee for approval.
- We continue to review and evaluate the financial products we sell on a regular basis. For example, we update our evaluation of public-raised funds quarterly, and of privately-raised funds and collective asset management schemes half-yearly.

In addition, we provide training on financial products to our sales personnel and require them to promote and sell third-party financial products only to clients with suitable risk tolerance. We require sales personnel to provide clients with sufficient information on the financial products, including detailed risk disclosure. We also collect feedback from clients in order to monitor any misconduct by our sales personnel.

Capital-based Intermediary Businesses

Margin Financing and Securities Lending Business

The key risks which we monitor in our margin financing and securities lending business include credit risk, interest rate risk, operational risk and compliance risk. We also manage the market risk and liquidity risk related to this business. We have established a Net Capital-based monitoring system, which monitors the scale of our margin financing and securities lending business on a daily basis based on predetermined parameters. We aim to prevent our business from being overly concentrated on any single client or stock. In general, we conduct our margin financing and securities lending business in accordance with the following predetermined parameters:

- the scale of business from any single client of margin financing may not exceed 5% of our Net Capital, with the warning threshold being 4%;
- the scale of business from any single client of securities lending may not exceed 5% of our Net Capital, with the warning threshold being 4%; and
- the market value of any single stock collateral we receive from clients may not exceed 20% of such stock's total market capitalization, with the warning threshold being 16%.

We have established a client selection and credit assessment system for our margin financing and securities lending business. In order to manage client credit, we have established a multi-level review system that involves all securities branches and our Margin Financing and Securities Lending Department, Brokerage Business Department and Planning and Finance Department. Our securities branches are responsible for the preliminary review of credit information provided by our clients, which allows us to understand our clients' identities, assets and income, investment experience and risk appetite. The credit information of eligible clients will then be reviewed by our Margin Financing and Securities Lending Department which will determine the eligibility of clients to enter into margin financing and securities lending transactions. We will not accept applications from clients if: (i) they have been subject to penalties imposed or are banned from the securities market by regulatory authorities, stock exchanges or registration and settlement organizations; (ii) they have been engaging in securities trading with us for less than six months consecutively or if they currently maintain, and have not cancelled, accounts with other securities firms; (iii) they have been blacklisted from margin financing and securities lending by us or by other securities firms; (iv) the securities in their accounts are subject to pledges or other encumbrances; (v) they have submitted any false, forged or fabricated materials such as identification documents, title documents or proof of income to us; (vi) they hold 5% or more of the issued shares of us or are an associate of such shareholders; (vii) we believe that such client does not possess adequate experience in securities investment or does not have an appropriate level of risk tolerance (i.e. they are classified as "conservative" or below) or they have a record of material default; and (viii) their credit ratings do not meet our requirements based on the results of credit assessment (credit ratings of our clients are categorized into nine grades and only clients with grade C or above are qualified to open an account with us).

Based on the CSRC's guidance in January 2015, we have increased our minimum securities account assets requirement for opening a margin financing and securities lending account to RMB500,000 for new clients.

We adjust credit limits granted to our clients of margin financing and securities lending business flexibly in order to control credit risk. In the event of any material change in the credit terms of clients, we will re-evaluate the eligibility of clients for margin financing and securities lending transactions and consider whether to continue extending credit to such clients or to adjust their credit limits.

We monitor the maintenance margin ratio of clients engaging in margin financing and securities lending business on a real-time basis and close out client positions, if necessary. The maintenance margin ratio is calculated as the ratio of total margin account balance of clients, which includes cash and securities held in the margin account, to the margin balance of clients, which is the sum of margin loans extended, securities sold short and any accrued interest and fees. As of December 31, 2013 and 2014, the maintenance margin ratio in margin financing and securities lending business was 249% and 252%, respectively.

We classify the credit accounts of our clients into three classes, namely, "safe," "alert" and "liquidation," according to their different maintenance margin ratios in order to conduct differentiated management. When a client's account falls in the "alert" class (i.e. the client account has a maintenance margin ratio below 150% but not lower than 130% upon day-end clearing), we will send them an alert. When a client's account falls in the "liquidation" class (i.e. the client account has a maintenance margin ratio lower than 130% upon day-end clearing), we will send them a notice requesting that they increase their maintenance margin ratios to 150% or above within the next two business days, with failure to do so resulting in a forced liquidation of their trading positions. Furthermore, as required under the applicable regulatory requirements, we mandate that the duration of each margin financing and securities lending transaction shall not exceed six months, and any failure to meet margin calls will result in a forced liquidation of their trading positions under contracts.

During the Track Record Period and for the three months ended March 31, 2015, we did not experience any material forced liquidation. The total amount of assets that were liquidated in our margin financing and securities lending business in 2012, 2013 and 2014 and the three months ended March 31, 2015 was RMB2.4 million, RMB6.9 million, RMB31.2 million and RMB0.9 million, respectively.

We have set up a system of risk control indicators and formulated clear procedures and rules for margin and securities refinancing business, so as to identify, evaluate and control the associated credit risk, market risk, liquidity risk and operational risk. We monitor our margin and securities refinancing business on a real-time basis to ensure compliance with relevant requirements. Our margin and securities refinancing business borrows securities from China Securities Finance and returns such securities pursuant to the terms and conditions in the refinancing agreement entered into with China Securities Finance. In order to prevent failure of performing our obligations under the refinancing agreement as a result of client defaults, securities returned to China Securities Finance are from our own accounts or are purchased from the open market.

Securities-backed Lending Business

We have established a project review system for our securities-backed lending business. Firstly, our branches conduct a due diligence review on the creditworthiness, use of funds, repayment schedule, condition of pledged securities and feasibility of the transaction. The Margin Financing and Securities Lending Department will decide the feasibility of a project and then pass it to the project review team, which will conduct a thorough review and extend credit upon approving.

We have established a client selection and credit assessment system for our securities-backed lending business. Similar to our margin financing and securities lending business, our branches are responsible for the preliminary review of credit information provided by clients so as to understand our clients' identities, assets and income, investment experience and risk appetite. The credit information of eligible clients will then be reviewed and monitored by our margin financing and securities lending department. We only accept applications for securities-backed lending transactions from clients who satisfy the following criteria: (i) individuals and institutions qualified to carry out securities transactions in accordance with the laws and administrative regulations of the PRC; (ii) investors who have completed the required application procedures for opening an account; applications submitted under another person's name or using another person's securities account in violation of applicable rules will not be permitted; (iii) clients with an appropriate level of risk tolerance and understanding of the securities market; and (iv) clients who do not have material debt disputes and default records.

After financing, we closely monitor our client accounts, the underlying securities of the transactions and use of funds to assess the ability and prospect of repayment from our clients in a timely manner, so as to effectively prevent and control credit risks.

In addition, we monitor the collateral coverage ratio of our clients engaging in securities-backed lending on a real-time basis. The collateral coverage ratio refers to the ratio of the market value of equity pledged by clients and the loans and accrued interests of the clients. As of March 31, 2015, the collateral coverage ratio of our securities-backed lending business was 438%. We primarily categorize our client transactions into three classes based on collateral coverage ratio, type of pledged securities and the terms of loans, namely "safe" class, "alert" class and "liquidation" class. For example, for restricted stocks, the collateral coverage ratios for the "alert" class and the "liquidation" class are 180% and 160%, respectively. For liquid stocks, the collateral coverage ratios for the "alert" class and the "liquidation" class are 160% and 140%, respectively. We send alerts to clients whose transactions fall within the "alert" class, requesting them to monitor their accounts. Once their accounts drop to the "liquidation" class, we will send notices to such clients for additional performance guarantee by repaying our loans, providing additional collateral and/or providing third-party guarantees to us within two business days. If clients fail to meet the requirement, the pledged securities will be forcely liquidated.

Stock Repurchase Business

Similar to our margin financing and securities lending business, our securities branches are responsible for the preliminary review of credit information submitted by clients of our stock repurchase business, in order for us to understand our clients' identities, assets and income, investment experience and risk appetite. The credit information of eligible clients will then be reviewed and monitored by our margin financing and securities lending department. The application criteria and follow-up assessment mechanism for stock repurchase business clients are basically consistent with those for our securities-backed lending clients.

We monitor the collateral coverage ratio of our stock repurchase clients on a real-time basis. The collateral coverage ratio refers to the ratio of the market value of underlying securities sold by clients to the transaction amount. As of March 31, 2015, the collateral coverage ratio of our stock repurchase business was 300%. We primarily categorize client transactions into three classes according to their collateral coverage ratio and type of securities, namely the "safe" class, "alert" class and "liquidation" class. For stock repurchases, the collateral coverage ratios for the "alert" class and the "liquidation" class are 150% and 130%, respectively, and the relevant risk control measures are similar to those of our securities-backed lending business.

Investment Banking Business

We carry out our investment banking business primarily through Huatai United. In terms of internal controls for our investment banking business, Huatai United is mainly responsible for preventing compliance risks, market risks, operational risks and credit risks resulting from mis-management, ambiguity of powers and duties, and lack of diligence. Huatai United controls and manages these risks mainly through its investment banking business committee, fixed-income committee, capital markets department, risk management department, as well as institutions and departments through project approval and internal review. It reviews and controls risks in various stages including project initiation by filing (and initiation by review), internal audit, filing documentation review, management of transaction agreements, issuance and underwriting as well as post-transaction compliance supervision.

Initiation by filing (and initiation by review)	Huatai United implements internal filing procedures for proposed investment banking projects. Project teams may carry out due diligence investigations only upon the completion of filing procedures. In terms of IPOs, apart from the abovementioned filing procedures, the project is also subject to the approval of a review committee. We may carry out a due diligence investigation only upon obtaining approval.
Internal audit	Projects are subject to on-site inspection and internal review by the risk management department of Huatai United for a preliminary internal audit review, before they are submitted to the internal audit committee.
Filing documentation review	The investment banking employees and the risk management personnel of Huatai United review the project documents to ensure that the documents are true, accurate, complete and compliant with applicable laws and regulations before such documents are submitted to the regulatory authorities for approval.

Management of transaction agreements	The risk management department of Huatai United is responsible for reviewing transaction agreements to control legal and compliance risks.
Management of underwriting risk	Huatai United separates pricing, sales and project execution activities. The ECM team and the DCM team of Huatai United are responsible for pricing and sales, and effectively control underwriting risk by following a set of internal protocols.
Management of post-transaction compliance supervision (applicable to equity financing business and part of mergers and acquisitions and restructuring businesses)	The project teams conduct post-transaction compliance supervision on the investment banking project in compliance with applicable laws and regulations. The risk management department of Huatai United is responsible for reviewing the documents relating to post-transaction compliance supervision to be submitted to the authorities. We have appointed designated personnel to supervise the projects on an ongoing basis and engaged external auditors to audit projects which have passed our internal check. In terms of IPO projects, we will re-examine such projects.
Management of sponsor representatives and other key employees	Huatai United oversees our sponsor representatives and other key employees with respect to their license registrations, work procedures, remuneration and benefits, as well as responsibilities and penalties.

Asset Management Business

Huatai Asset Management has set up its own compliance and risk control department, supervising and evaluating potential regulatory risk, market risk, credit risk, interest rate risk, liquidity risk, operational risk and compliance risk. With this independent compliance and risk control department, Huatai Asset Management ensures the effective execution of entrust duties, the accuracy of the disclosure of risks, our stable business growth and the protection of the interests of our investors. Our Legal and Compliance Department, Risk Management Department and Internal Audit Department also provide support from the Company level.

The internal control and risk management measures of our asset management business primarily include the following:

Investment decision-making procedures	The asset management decision-making committee is responsible for determining significant matters such as investment strategy, investment principles, investment restrictions and the appointment of investment managers.
Management of trading procedures	● We assign different personnel to issue investment orders and execute trades. Investment managers issue electronic trading orders through the trading system according to the authorization by the asset management decision-making committee and the scope of investment specified in asset management contracts. Traders strictly follow such orders in executing trades, and the trading system will automatically reject trades that do not comply with the orders, and reject any operations without orders. Both the issuance and the execution of trading orders are recorded in the system. ● For asset management schemes invested in equity securities, we implement stop-profit and stop-loss mechanisms in accordance with contracts, product schemes and relevant regulatory rules. ● The asset management business has established a securities pool and makes investments within the scope of the securities pool. The establishment and maintenance of the securities pool is required to be conducted in accordance with pre-determined criteria and analysis mechanisms.
Segregation of businesses	We require that our asset management business is segregated from our investment and trading and other securities businesses in order to prevent insider trading and avoid conflicts of interest. Senior management are also prohibited from managing both the asset management business and investment and trading businesses concurrently and these two businesses cannot be headed by the same person. The chief investment manager is not allowed to be involved in both the asset management business and investment and trading businesses concurrently. The investment manager of a targeted asset management plan shall not act as the investment manager of any

other asset management business. Our investment and trading accounts are not allowed to trade with our asset management accounts, and our various asset management accounts are not allowed to trade with each other for the purpose of transferring the profit or loss of asset management accounts. We require the asset management business to segregate duties that may generate conflicts of interest, including investment operations, transfer and allocation of funds, account management, settlement and clearing, as well as valuation and accounting, among other functions.

Opening independent accounts	We entrust client assets with qualified commercial banks, the China Securities Depository and Clearing Corporation Limited, securities firms approved by the CSRC or other asset custodian institutions. We provide asset management services to our clients through designated accounts. The asset management business is managed through designated cash accounts, securities accounts and trading accounts.
Due diligence on identity of clients	We conduct due diligence on the identity of our clients to understand their assets, income, securities investment experience, investment preferences, risk awareness and risk tolerance level. We also examine the legitimacy of sources and usage of the assets being managed in a timely manner so that we can recommend products or services that are suited to the risk tolerance level of the clients.
Risk disclosure	We require our sales representatives to disclose our business licenses and qualifications to our clients, explain the asset characteristics, investment scope, investment restrictions, risk-return characteristics and other aspects of the asset management contracts, and to proactively disclose risks to our clients.
Real-time risk monitoring	Our risk management personnel have established risk monitoring thresholds in our trading system in accordance with the relevant laws and regulatory requirements, in order to supervise, monitor, identify and report irregularities and non-compliance in trade execution, shareholding structure and any improper activities or misconduct.

Investment and Trading Business

The major risks we monitor for our investment and trading business include market risk, credit risk, liquidity risk, operational risk and compliance risk.

Our Board determines the overall investment scale associated with our equity and fixed-income investments on an annual basis. Our equity investment business committee and fixed-income investment business committee then make monthly and ad hoc adjustments to our investment strategies based on market conditions and guide our trading activities.

Equity investment and trading

- we have established a circuit breaker mechanism which separately sets the daily buy-in limit for each department, the daily buy-in limit for each shareholder and the per-minute cashflow limit for each shareholder;
- we maintain an equity securities pool for our equity securities and trading business based on market conditions and research;
- we monitor our securities holdings on a real-time basis, including our trading positions, risk exposure and trading activities;
- we apply methods such as scenario analysis, stress testing and sensitivity analysis to determine and control our risk exposure in securities investments. We also establish various risk control indicators to control risks of investment transactions at the frontline and set up relevant thresholds via our IT system to restrict or prohibit trading; and
- we have established a stop-profit and stop-loss mechanism that sets pre-determined points to stop profit or loss on an overall basis or for each individual stock.

We conduct hedging activities for equity trading by entering into futures contracts based on the CSI 300 Index. A stock index futures contract is valued at RMB300 times index points and settled by cash on the third Friday of the contract month. During the term of a stock index futures contract, usually between one to six months, we are able to buy or short-sell our desired amount of CSI 300 Index futures on margin based on our hedging needs and our prediction of the upcoming market conditions. For each trade, the minimum allowable index movement, or tick size, is 0.2 index point and the daily maximum price movement is a 10% increase or decrease of the settlement price from the previous trading day. In addition, we are required by the Shanghai Financial Futures Exchange to set aside at least 8% of the contract value as margin deposit.

Fixed-income investment and trading

We adopt stringent risk management measures in our fixed-income investment and trading to maintain our investment risks within a reasonable level. Based on market research, we formulate and adjust our investment strategies on a regular or ad hoc basis, in order to manage the financial leverage of our fixed-income trading. We control our investment horizon to minimize the risk of default, and most of our fixed-income investments are short-term and mid-term bonds which mature in less than five years. In addition, we also trade interest rate swaps to mitigate market risks.

Our detailed measures to manage the credit risks in investing in fixed-income securities include:

- for unsecured bonds, we invest principally in bonds that are rated AA+ or higher, and limit our holdings of bonds that are rated AA- or lower;
- for unsecured bonds, we select issuers with strong competitive strengths and stable income;
- we review and classify fixed-income securities issued on the market into different classes and assign a different investment scale to each class of fixed-income securities;
- we limit our fixed-income investments in industries with overcapacity and avoid investing in sectors and issuers with negative news; and
- we diversify our fixed-income investment portfolios and monitor the operations and credit ratings of bond issuers.

OTC Financial Products and Trading

We have established an integrated risk management system for our OTC financial products and trading business by strengthening client suitability management, the monitoring of dynamic project risk indicators and implementing measures such as margin calls and mandatory liquidation.

Private equity investment business

We engage in the private equity investment business through subsidiaries such as Huatai Zijin Investment. Huatai Zijin Investment currently has a number of subsidiaries that serve as holding companies for different private equity funds, with each fund being independently managed. Each fund's investment committee is responsible for determining the investment strategy for equity and fixed-income investments in their respective fund, and separately determining whether or not to seek Board approval for certain projects according to their respective board authorization. Certain funds also use their subsidiary's risk management committee to further assess the risks involved in that project.

Our fund management companies target equity investment in companies with capital growth and listing potential or significant value for merger and acquisition. We do not intend to obtain controlling stakes of, or control of, our target companies. Our shareholdings in target companies through our funds usually do not exceed 20%. Our fund management companies target debt investment in companies with sound credit and stable liquidity. If the target company has growth potential for equity investment at a later stage, we may consider making an equity-linked bond investment.

All of the fund management companies under Huatai Zijin Investment have established risk management and internal control systems in accordance with the relevant laws and regulations of the PRC and our own internal control policies. These include project approval, due diligence, transaction negotiation, investment decision-making, investment transaction, post-investment management and exit of investment. Risk management and internal control system consists of four levels, namely: (i) front office and middle office; (ii) management and evaluation committee; (iii) investment decision-making committee and risk control committee; and (iv) the board of directors.

Front Office	The front office is responsible for market development, due-diligence investigation, determining the investment plan, negotiation, and post-investment management.
Middle Office	The middle office is responsible for evaluating the risks associated with investment projects, conducting analysis and evaluations for investment review, decision-making, implementation, post-investment management, exiting the project, and implementing risk monitoring.
Management	The management is responsible for the organization and implementation of investment activities.
Risk management committee	The risk management committee is responsible for risk assessment and identification of investment projects.
Investment Decision-making Committee	The investment decision-making committee is the decision-maker for the investments projects, and is responsible for reviewing direct investments or exiting from them.
The board of directors	The Board is the highest decision-making body for the day-to-day management of our direct investment business. It is responsible for determining the scale and formulating the framework of our direct investment business.

Overseas Business

Huatai Financial Holdings is our wholly-owned subsidiary and is incorporated in Hong Kong. Huatai Financial Holdings has an independent senior management team, risk management procedures, operational personnel, assets, financial management system and IT system.

Through an effective segregation of duties among the front, middle and back offices as well as checks and balances among various positions, Huatai Financial Holdings has established clear procedures for operations, management and control, enabling effective mechanisms for reporting, handling, monitoring and response with risk control measures encompassing the entire business and operation process.

The major risks we monitor for our overseas business include credit risk, operational risk and compliance risk. We also manage interest rate risk and liquidity risk related to our overseas businesses. Huatai Financial Holdings has established a risk management committee under its management committee to formulate and supervise the implementation of risk management policies as well as to review material risk issues. Currently, members of the risk management committee include senior executives and directors of relevant business departments of Huatai Financial Holdings. The risk management department is responsible for monitoring and tracking market, credit and operational risks on a daily basis.

Huatai Financial Holdings has issued operating manuals for various business departments to standardize internal monitoring and implementation management procedures. It has established constitutive control mechanisms such as business, physical, personnel, fund and account segregation to prevent inappropriate flow and usage of sensitive information between departments. It maintains a continuously updated companies and stocks watch list and restriction list, through which it monitors business activities and employee transactions to ensure compliance with relevant laws and regulations.

Chinese Wall

A Chinese Wall is a barrier to protect sensitive information from being transmitted between, or being used by, businesses with conflicts of interest, and includes a series of measures to protect the occurrence of conflicts of interest between us and clients as well as among different clients and businesses.

As a securities firm with a diversified range of businesses and products, we will inevitably face two or more types of conflict of interest. In order to protect the interests of our clients and to maintain our good reputation, we have established Chinese Walls in different business lines to prevent and minimize potential conflicts of interest by controlling the flow of sensitive information and establishing applicable rules and policies on information segregation. Specifically, we have implemented the following measures:

- departments with conflicts of interest, such as investment banking, investment and trading, asset management and research departments are physically segregated and operate from different offices and use separate computers, facsimile machines, printers and other office equipment. We have adopted a strict access management system by setting access control for key places such as business departments and trading rooms with sensitive information;
- we have established a restrictive list system. In the event that we obtain sensitive information regarding certain securities or establish a business connection in relation to such securities (such as providing underwriting or financial advisory services to corporate clients), we will take restrictive measures to prevent conflicts of interest. In particular, we would put such securities and relevant information on the restrictive list, and impose restrictions on related businesses, such as investment in and trading of and research reporting on such securities in accordance with relevant laws and regulations;
- funds and securities accounts associated with our investment and trading, asset management, margin financing and securities lending and other businesses with conflicts of interest are separately handled, independently set up, strictly segregated and independently managed and funds and securities in separate accounts cannot be mixed or transferred from one to another; and
- the IT systems for different businesses with conflicts of interest are mutually independent or logically separated.

We believe that our information segregation system and Chinese Wall mechanism have been effective in preventing insider trading and managing conflicts of interest during the Track Record Period.

Segregation of Duties

To minimize the possibility of collusion and improper trading, duties and functions within our various business departments are assigned to different teams of employees. No employee may work concurrently for two or more departments with conflicts of interest.

Employees in the business departments are not allowed to work concurrently in the subsidiaries with conflicts of interest. Employees are not allowed to work in the IT Department, Capital Operation Department or departments with supervision and inspection functions concurrently. Personnel working in the settlement and custody department are not allowed to concurrently work in our IT Department or trading departments.

Conflicts of Interest

Conflicts of interest may arise between: (i) our various operating units; (ii) our clients and us; (iii) our clients; (iv) our employees and us; or (v) our clients and our employees.

In order to prevent conflicts of interest, we have adopted the following specific measures:

- research personnel are prohibited from providing false or misleading information;
- investment analysis, forecasts or recommendations provided to the public, different clients and various departments regarding the same issue and at the same time shall not contain contradictory views; and
- information briefs, news updates and information systems which are only intended for internal use shall not be disclosed to the public by any method.

One of the fundamental objectives of Chinese Walls is to manage conflicts of interest. We have adopted a series of measures and methods to manage conflicts of interest. We primarily adopt measures of information segregation to avoid conflicts of interest. In the event that there are still conflicts of interest notwithstanding Chinese Walls, such conflicts of interest must be disclosed. If such conflicts of interest cannot be managed effectively through disclosure, we may adopt measures such as imposing restrictions on business activities. In the event that we impose restrictions on business activities, we endeavor to prioritize our clients' interests and treat all clients fairly.

During the Track Record Period, we did not experience any material failure to protect confidential information from or related to our clients.

Anti-Money Laundering

We have incorporated anti-money laundering procedures into our internal control system and daily operation in strict compliance with the PRC laws and regulations on anti-money laundering as well as relevant requirements of the PBOC and the CSRC. We comply with the "know-your-client" principles and undertake steps for client identification and continuous review of client identification. In addition, we have carried out different due diligence investigations and other risk control measures for different clients based on their risk classifications, and adopted the significant and suspicious transaction reporting system according to the requirements.

We have properly maintained the identity information and transaction records of our clients. According to the confidentiality requirements, we have provided an anti-money laundering training program for employees and strengthened the understanding of clients on anti-money laundering. We also actively cooperate with the PBOC in various anti-money laundering actions such as on-site inspection and off-site supervision.

We have never engaged in, or knowingly assisted, any money laundering activities. For risks regarding money laundering activities, see "Risk Factors—Risks Relating to Our Business and Industry—We may fail to detect money laundering and other illegal or improper activities in our business operations on a timely basis."

LEGAL AND REGULATORY

Licensing Requirements

We conduct our business mainly in the PRC and Hong Kong and are, therefore, subject to the relevant restrictions of the regulatory requirements of the PRC and Hong Kong. Our Directors and PRC legal advisors, King and Wood Mallesons, confirmed that, during the Track Record Period and as of the Latest Practicable Date, we have complied with the relevant PRC regulatory requirements and guidelines in all material respects and obtained all the important consents and licenses necessary for our operations in accordance with the PRC laws and regulations. We renew all of our business licenses from time to time to comply with the relevant laws and regulations. To the best knowledge of our Directors after due inquiry, our Directors confirm that, as of the Latest Practicable Date, all of our employees and brokers have obtained the relevant licenses as required for their business activities. Since our A Share offering in February 2010 and up to the Latest Practicable Date, neither us nor any of our Directors have been subject to auditing or administrative penalty by the CSRC, or been criticized or publicly reprimanded by the Shanghai Stock Exchange for violations of any listing rules or other relevant applicable rules.

Due to the licensing regimes of the SFC, our Hong Kong incorporated subsidiary, Huatai Financial Holdings, is required to obtain necessary licenses to conduct its business in Hong Kong. Huatai Financial Holdings holds a Type 1 license for dealing in securities, a Type 2 license for dealing in futures contracts, a Type 4 license for advising on securities, a Type 6 license for advising on corporate finance and a Type 9 license for asset management. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant Hong Kong regulatory requirements and guidelines in all material respects and obtained the permits and licenses necessary for our operations in accordance with Hong Kong laws and regulations.

Legal Proceedings

We are a party to a number of legal proceedings arising in the ordinary course of our business. Our Directors and PRC legal advisors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there is no legal proceeding pending or threatened against us or our Directors that could, individually or in the aggregate, have a material effect on our business, financial condition or results of operations.

Regulatory Non-compliances

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in the PRC and Hong Kong (including, but not limited to, the CSRC, the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the SFC and their respective local branches and offices). In addition, Huatai Financial Holdings is also subject to the Foreign Account Tax Compliance Act issued by the Internal Revenue Service of the U.S.

We or our employees have, from time to time, been involved in incidents of regulatory non-compliance and received notices, warnings or fines from the relevant regulatory authorities. Based on the nature of these cases, we classify the incidents of regulatory non-compliance committed by us and our employees into the following two categories: (i) non-compliance incidents that led to administrative fines, and (ii) non-compliance incidents that led to or will likely lead to deduction of regulatory points.

Non-compliance incidents that led to administrative fines

We set out below the details of our non-compliance incidents that led to administrative fines during the Track Record Period and up to the Latest Practicable Date and the primary remedial measures we adopted:

Non-compliance incident	Brief explanation and our primary remedial measures
Our Headquarters	
From November 14 to 26, 2013, the Nanjing Branch of the PBOC conducted a comprehensive inspection on us and subsequently imposed an administrative fine of RMB 500,000 on us based on the following non-compliances with the PBOC regulations: ● Non-disclosure of the relevant terms and conditions of our contracts with an issuer of corporate bonds, which led to price distortion and market disorder; ● Our quoted prices for certain interbank bonds trading deviated from the fair market value by a relatively high ratio and we did not notify the regulator of such deviations; ● When carrying out bond forward transactions with five of our institutional clients, we failed to enter into transaction agreements with them and use the relevant interbank trading functional modules to carry out the transactions; ● Indirect dealings existed among our different asset management schemes which were prohibited by the PBOC; and ● We did not report our interbank bond trading with Nanjing Branch of the PBOC. Given that we have actively rectified our non-compliance incidents and there was no material consequence as a result of such non-compliance incident, the Nanjing Branch of the PBOC imposed an administrative fine of RMB500,000 on us.	● We entered into service contracts with an issuer of corporate bonds whereby we were entitled to certain fees for helping the issuer negotiate with the bondholders to waive their redemption rights and continue to hold such bonds. While we believed that we were providing an innovative type of service to avoid the early redemption of the bonds, the Nanjing Branch of the PBOC held that due to non-disclosure to the public of the terms and conditions of the relevant contracts between the issuer and the bondholders, this resulted in information asymmetry in the market; in addition, due to our transactions in the interbank market from May 2012 to June 2012, different bondholders obtained different compensation fees, which disturbed the interbank bond markets and affected the bondholders' accounting treatments of the bonds. Subsequent to the regulator's decision, we ceased to enter into such arrangement. ● The Nanjing Branch of the PBOC found there were 32 interbank bond transactions from January 2012 to July 2013, of which our quoted price deviated from the fair market value. In addition, we did not submit a report to notify the component authorities of the information of the relevant transactions when such deviations incurred. However, as advised by our PRC legal advisors, there is no explicit written requirement as set forth by the PBOC in

Non-compliance incident	Brief explanation and our primary remedial measures
	the relevant announcement that provides the filing threshold for bond price's deviation from the prevailing market price. Subsequent to the regulator's decision, we have adopted internal policies which require us to submit any interbank bond trading transaction where the quoted price deviates from the market price by more than 3% to be filed with the component authorities before we enter into such tradings. ● The PBOC requires that where the parties carry out bond forward transactions, they should enter into a transaction agreement and such transactions should be processed by using unified trading modules. We had adopted such unified trading modules but only a few of our counterparties had adopted so, which made us unable to carry out bond forward transactions in accordance with the relevant PBOC's requirements from February 2013 to March 2013. Subsequent to the regulator's decision, we require our bond purchase and resale transactions to be carried out only with the counterparties having access to PBOC's trading modules after entering into the transaction agreement as required by the PBOC. ● With respect to the compliance of indirect dealings among our different asset management schemes between January 2012 and July 2013, see below for the first non-compliance incident under "—Non-compliance incidents that led to or will likely lead to deduction of regulatory points" below for the details of the remedial measures we adopted in response to this incident. ● From January 2012 to July 2013, we did not report the information of our interbank bonds trading transactions to

Non-compliance incident	Brief explanation and our primary remedial measures
	the Nanjing Branch of the PBOC as required by the PBOC. This is mainly because we started to engage in the business of interbank bonds trading initially in 2009 while the relevant PBOC's regulations which set out such reporting obligation was published in 2000 and did not specify when to submit the reports and which department to receive the reports. Promptly after the inspection, since the fourth quarter of 2013, we have assigned persons to be in charge of reporting the relevant interbank bonds trading information to the regulators in order to comply with our reporting obligation. We paid the administrative fine of RMB500,000 in June 2014 and as of the Latest Practicable Date, we have not received any other follow-up notice or report from the Nanjing Branch of the PBOC, and no similar incidents in all the above respects has occurred after we have taken the rectification measures.
Huatai United	
In December 2007, Yunnan Lv Da Di Biotechnology Co., Ltd. ("**Lv Da Di**") fraudulently inflated its assets and revenue in the prospectus when it applied for listing on the Shenzhen Stock Exchange. United Securities (which was renamed as Huatai United in 2009) and its two sponsor representatives acting for the IPO of Lv Da Di failed to perform adequate due diligence to discover the issuer's fraudulent acts. In May 2013, the CSRC issued a written administrative penalty decision to Huatai United which confiscated RMB12 million of United Securities' underwriting and sponsorship income for Lv Da Di's IPO project and imposed another RMB12 million administrative fines on it; in addition, each of the two sponsor representatives who acted in Lv Da Di's IPO were imposed with RMB300,000 fine and both their sponsorship licenses and securities dealing licenses were revoked. We had fully paid the confiscated underwriting and sponsorship income and the administrative fines.	In July 2006, we acquired a 70.0% equity interest in United Securities. However, following this acquisition, United Securities, running a full-service business model, still operated independently from us. In July 2009, we further acquired equity interest in United Securities resulting in us holding 97.4% equity interest therein. Along with this further acquisition, we commenced the integration of the securities underwriting and sponsorship business of United Securities into our Group. This incident took place prior to the integration of United Securities's business into us. During the period from the time that the CSRC officially commenced its investigations on Lv Da Di in March 2010 to the CSRC issuing its final decision, the restructured Huatai United continued cooperating with the regulators to carry out the investigation and actively conducted internal inspection. Huatai United submitted a written report to the Shenzhen Securities Regulatory Bureau of the CSRC to submit

Non-compliance incident	Brief explanation and our primary remedial measures
	its plans to improve its quality in acting as a sponsor in April 2011 and in addition, we have submitted an information statement to the Jiangsu Securities Regulatory Bureau of the CSRC to explain our inspection process on this incident and all the measures we have taken in respect of such incident in March 2013. In addition, Huatai United has taken the rectification measures which include: (i) terminating the employment contracts with the two sponsor representatives, removing the project manager from his duties, circulating a notice of criticism on the two sponsor representatives within Huatai United, reducing the bonus for the IPO's project team and removing the persons in charge of internal inspection and investment bank business from their posts in August 2012; (ii) issuing new internal due diligence review regulations in December 2011, enhancing the IPO practice handbook and setting out the relevant provisions on the key issues in each process of an IPO project in August 2014; (iii) reinforcing the internal verification, carrying out preliminary review, internal verification and review and final voting before the submission of an IPO application, and requiring project review by two independent employees who do not work on the project and are assigned to verify the working reports in February 2014; (iv) emphasizing compliance and risk management training in our annual training and regular investment bank video training for our investment banking staff; and (v) revising internal regulations and adopting further internal regulations to improve our internal control and risk management capabilities since May 2013. As of the Latest Practicable Date, the CSRC had not issued any follow-up report or investigated any other employees of Huatai United and there were no other penalties imposed on Huatai United. No director, supervisor or senior management personnel of Huatai United were involved.

Non-compliance incident	Brief explanation and our primary remedial measures
	In addition, no other administrative penalty such as business suspension or cancellation of partial business was imposed on Huatai United and its underwriting and sponsorship business was not substantially influenced by this incident.

Non-compliance incidents that led to or will likely lead to deduction of regulatory points

We set out below the details of our non-compliance incidents that led to or will likely lead to the deduction of regulatory points during the Track Record Period and up to the Latest Practicable Date and the primary remedial measures we adopted:

Non-compliance incident	Brief explanation and our primary remedial measures
From February 2, 2015 to February 6, 2015, the CSRC conducted an onsite inspection on our margin financing and securities lending business covering the period from January 2014 to February 2015. On April 3, 2015, the CSRC issued a regulatory letter to us pointing out the problems in our margin financing and securities lending business which should be rectified: (i) providing margin financing and securities lending services to certain clients who either (a) did not have a minimum six month continuous trading record with us or (b) did not have adequate risk tolerance; and (ii) opening margin financing and securities lending accounts for certain clients not in such manner that is required by the CSRC. The CSRC in its regulatory letter required us to complete the rectification of the above practice within one month from the issuance of the regulatory letter. In addition, based on its on-site inspections respectively in January and March 2015 and the information obtained from the communications with the relevant client, the Anhui Securities Bureau of the CSRC found that our East Changjiang Avenue Branch located in Hefei, Anhui Province ("East Changjiang Avenue Branch") had opened a margin financing and securities lending account for one of our clients who did not have a minimum six-month securities trading record with us (but only found one such non-compliant account) and presented an undertaking letter to the client, which indicated that the East Changjiang Avenue Branch would provide another compliant account under	Following the onsite inspection by the CSRC, we immediately conducted a review of our margin financing and securities lending business. Based on our self-review, we consider that the non-compliance incidents referred to in the CSRC regulatory letter were primarily due to the following: (i) previously, we provided margin financing and securities lending services to clients who had maintained brokerage accounts with us for at least six months since their account opening. However, the CSRC further specified that the minimum "six months" period should commence from the date of first trade; (ii) following the expiry of the trial period of margin financing and securities lending and the abolishment of the guidance regarding minimum securities account balance threshold applicable to the trial period, we had adopted a set of merit-based standards (taking into account the clients' risk tolerance and familiarity with the business) in determining clients' eligibility to open margin financing and securities lending accounts and gradually lowered the minimum securities account balance requirement for opening of margin financing and securities lending account by certain clients (whereas we remain cautious in extending credit limits to such clients by carefully assessing their risk rating and securities account balance), and such clients who opened accounts with us are considered by the CSRC as "not having adequate risk tolerance"; and (iii) while the margin financing and securities lending accounts opened via our mobile-based Platform are not considered as non-compliant

Non-compliance incident	Brief explanation and our primary remedial measures
another client's name for this client's use (such undertaking was neither legally valid nor actually fulfilled). Accordingly, on April 24, 2015, the Anhui Branch of the CSRC issued a regulatory letter to our East Changjiang Avenue Branch to request that such non-compliant conduct be rectified but did not require the submission of a rectification report.	accounts by the CSRC as long as these accounts meet the minimum regulatory requirements, we have been asked to suspend our margin financing and securities lending accounts opening through our mobile-based platform due to certain technical deficiencies in our margin financing and securities lending accounts opening procedures on the mobile platform. Following the new guidelines published by the CSRC in January 2015 and our communication with the CSRC during the onsite inspection, we have proactively implemented a series of rectification measures to reinforce our compliance with the relevant margin financing and securities lending requirements, which included: (i) requiring our clients to maintain brokerage accounts for a minimum of six months with us from their first trade before they are eligible to apply for margin financing and securities lending business; (ii) resetting the securities account balance threshold for opening a margin financing and securities lending account at RMB500,000; and (iii) completely suspending margin financing and securities lending accounts opening via our mobile-based platform. In addition, in April 2015 we have set up a special taskforce to communicate with our clients and implement the following with respect to our existing clients: (i) existing clients with less than six-month continuous trading record with us starting from their first trade: we have restricted those clients from entering into any margin loan positions and cancel their credit limits as of April 27, 2015 until they meet the account opening requirement; (ii) existing clients who did not meet the RMB500,000 securities account balance threshold at the time when they opened the accounts: while they should not be affected to carry on transactions according to the CSRC, we will closely monitor their credit condition to determine if credit limits should be extended to them; and (iii) existing clients whose accounts are

Non-compliance incident	Brief explanation and our primary remedial measures
	opened through our mobile-based platform: as confirmed by the CSRC, we did not need to rectify such accounts, but we will continuously focus on the risk appraisal on such clients and fully disclose the potential risks in relation to the margin financing and securities lending business to them. Further, to prevent the re-occurrence of similar non-compliance incidents, in February 2015 we have already adjusted our front-end control to include the necessary parameters in our system to prevent accounts opening by clients who are unable to meet the requirement of six-month continuous trading record with us counted from their first trade or the minimum securities account balance threshold (i.e. RMB500,000). We will further enhance our process control and staff education to better manage our margin financing and securities lending business. We have submitted our written rectification report to the CSRC on April 30, 2015. We conducted a self-review of our margin financing and securities lending business since February 2014 and requested this non-compliant margin financing and securities lending account to be closed. For the purpose of persuading the client to close such non-compliant margin financing and securities lending account, in June 2014, an employee at the East Changjiang Avenue Branch privately delivered a written undertaking letter (with the counter business inquiry stamp but not the company seal or contract seal affixed thereto) undertaking to provide a compliant account under another client's name to be used by such client. The provision of the undertaking letter was personal misconduct of such employee and the East Changjiang Avenue Branch became aware of this after the Anhui Securities Bureau of the CSRC carried out onsite inspections and found out such incident based on their communication with such client. With respect to this non-compliant incident, we have adopted the rectification measures after the onsite inspections of the Anhui Securities Bureau of the CSRC,

Non-compliance incident	Brief explanation and our primary remedial measures
	which include: (i) restricting any client with a trading period less than six months from entering into any new margin loan positions; (ii) suspending such employee from his duties and stopped salary payment to him; (iii) convening a special meeting to address the importance of compliance operations and circulated this incident as a risk control case to educate the employees in all the branches within Anhui Province; (iv) assigning staff to be specially in charge of keeping the various stamps and seals of the branches and (v) requesting all the branches in Anhui Province to conduct a special inspection to mitigate any similar potential risk.
The CSRC conducted on-site inspections on our asset management business from August 4, 2014 to August 8, 2014. In September 2014, we received a written regulatory decision from the CSRC stating that we had indirectly traded the assets among our different asset management schemes through dealing with the same third-party counterparty during the period from January 2013 to March 2014. In addition, the Nanjing Branch of the PBOC imposed an administrative penalty on us with respect to such non-compliance incident in June 2014, but we did not timely report to CSRC about this penalty in accordance with the relevant regulations. Therefore, the CSRC required us to rectify the said non-compliance incident and submit the rectification report to the CSRC before September 30, 2014.	By dealing with the same third-party counterparty, the regulator determined that we have indirectly traded the assets among our different asset management schemes. While we believe the transactions between different assets management accounts would be prohibited only when such transactions are carried out for the purpose of transferring the gains or losses of the assets management accounts, thereby damaging the interests of their clients, the CSRC had taken a more conservative interpretation on such requirement. Subsequent to the regulator's decision, we have ceased to conduct such transactions. Subsequent to receiving the decision from the CSRC, we have taken rectification measures which include: (i) we convened a special meeting and explicitly forbad any type of indirect trading among our different asset management accounts in August 2014; (ii) we had formulated, developed and enhanced our internal guidelines to further strengthen the control and verification on the key process and risk points in September 2014; (iii) we conducted a comprehensive self-inspection on our transaction data in the last two years to identify any unusual transactions and conducted backtracking inspection on a monthly basis to supervise the connected transactions among different asset management accounts in August 2014; and (iv) we have reduced the annual performance bonus of the relevant responsible persons in February 2015.

Non-compliance incident	Brief explanation and our primary remedial measures
	We have disclosed the information of the administrative penalties imposed by the Nanjing Branch of the PBOC and our remedial measures in our 2014 interim report and 2014 interim compliance report which are publically available. After receiving the reminder from the CSRC, we submitted our rectification report to the Jiangsu Securities Regulatory Bureau of the CSRC in September 2014. In addition, in December 2014, we amended our internal regulations to further clarify the submission process and content of the interim report to the authorities to ensure we will perform our reporting obligations on a timely basis in accordance with the relevant CSRC's regulations and rules. As of the Latest Practicable Date, we have not been required to submit any subsequent written documents. In addition, the CSRC did not raise any follow-up question with respect to our rectification reports, nor did the CSRC impose any other penalty in any form on us due to such non-compliance incident.
In July 2014, our Taizhou North Gulou Road branch received a written regulatory decision from the Jiangsu Securities Regulatory Bureau of the CSRC stating that because such branch did not effectively monitor the client's account managed by one of its brokers and sufficiently collect the clients' feedback, thus it was unable to identify the non-compliant conducts of such broker during the period from April 2012 to September 2013. Accordingly, the Jiangsu Securities Regulatory Bureau required this branch to rectify this non-compliance incident but did not require the submission of a rectification report.	After investigation, we found out that (i) such broker privately provided his friend with the access to the securities account owned by such broker's relatives, (ii) the account was under their common control; and (iii) such broker also financed his friend's stock trading activities. In addition, we have established a comprehensive clients' feedback collection system but in this incident, the relevant operators failed to fully disclose the potential risk to the client when such operators collected the clients' feedback. We have also issued our management rules on the sales persons in October 2012, which explicitly prohibited the conduct of operating the securities trading on behalf of the clients. Therefore, we believe that our internal control procedures were adequate and the reason we did not immediately identify this incident was that the relevant operators did not strictly follow our relevant internal policies on account management and collection of clients' feedback. Subsequent to receiving the decision from the Jiangsu Securities Regulatory Bureau of the CSRC, we have

Non-compliance incident	Brief explanation and our primary remedial measures
	adopted rectification measures, which include: (i) terminating the appointment of such broker in August 2014; (ii) reducing the bonus of the management team in the relevant branch; (iii) requiring our Taizhou regional head offices to carry out compliance risk training for all the employees within the region in November 2014; (iv) informing all of our brokerage branches of this incident to raise employee awareness in November 2014; and (v) in order to further reinforce our internal control and risk management system to prevent the similar incidents from being re-occurring, since March 2015, we requested our employees to report any suspicious activities to us during the daily operation of the business. As of the Latest Practicable Date, we have not received any follow-up notice or decision from the Jiangsu Securities Regulatory Bureau of the CSRC or any form of penalty from the authority due to this non-compliance incident.
In June 2014, our Nanjing Zhongyang Road securities branch received a written regulatory decision from the Jiangsu Securities Regulatory Bureau of the CSRC. The Jiangsu Securities Regulatory Bureau found that before the end of 2010, one of our employees used his office network and our trading counter to place trade orders on behalf of one of his clients. Accordingly, the regulator required our Zhongyang Road branch to reinforce its supervision over its employees, improve its internal control and investigate this matter internally.	We acquired Xintai Securities in September 2009 and most of the non-compliance conduct referred to in this incident occurred before the completion of our acquisition of Xintai Securities. After we disabled our office Internet from placing trade orders online and replaced the trading counter of Xintai Securities by our system in March 2010, no similar incident occurred. We took remedial measures immediately after we received the regulator's written decision, which include: (i) giving compliance training to all employees in the relevant branches to reinforce their awareness; (ii) carrying out a comprehensive investigation on the record of client interviews to ensure the relevant risk disclosure is in place; (iii) upgrading our IT system to reinforce the supervision on the employees' securities investment; and (iv) informing this incident to all of our securities brokerage branches as a warning example.

Non-compliance incident	Brief explanation and our primary remedial measures
	As of the Latest Practicable Date, the Jiangsu Securities Regulatory Bureau of the CSRC did not require us to submit a rectification report or other document, nor did it impose any penalty on us.
In April 2013, the Jiangsu Securities Regulatory Bureau of the CSRC identified the following non-compliance incidents: ● ***Trading system failure***: When integrating the electronic trading desks of our Nanjing transaction center with the electronic trading desks of Huatai United in Shenzhen after our acquisition of Huatai United, our trading systems did not effectively place certain clients' orders within a short period due to our inappropriate procedures to integrate the electronic trading desks; and ● ***Examples of issues identified in connection with our internal controls and risk management system:*** (i) One of the employees in our Nanjing Second Zhongyang Road branch was suspected of illegal fund-raising activities; (ii) One of our research analysts published a research report on one listed company whose follow-on equity offering was underwritten by Huatai United. This analyst was at that time on the name list of Huatai United who should be restricted to publish research reports. After our investigation, we identified that the IT system of our research team was unable to monitor the changes in Huatai United's restricted list for research coverage and inform our research analysts on a real-time basis; and	In March 2012, due to the temporary system failure of our offering systems, the trade orders from some of our brokerage clients have not been executed. We timely fixed this failure and instructed affected clients to re-execute their orders with apology. Immediately after this incident, we had taken rectification measures, which include: (i) revising our internal regulations to reinforce our risk control capability; (ii) standardizing our risk control procedures and rectifying the major risks identified from our self-investigation; and (iii) convening regular meetings to develop the emergency measures for the potential risks. As of the Latest Practicable Date, we did not have any dispute with our brokerage clients affected by this system failure. In March 2013, we were notified that such employee was under detention due to the alleged illegal fund-raising activities which were the personal conducts of such employee. Immediately following this incident, our Nanjing branch established a working group to handle the relevant issues in order to mitigate the adverse impact on the Second Zhongshan Road branch's business activities. The branch also collected feedback from the clients managed by such employee and conducted internal investigation on other employees of this branch, the result of which confirmed there was no other employee or client involved in the alleged illegal fund-raising activities. In addition, we had required the Nanjing Second Zhongyang Road branch to conduct a special compliance training to reinforce the professional ethics and integrity of its employees and we removed the original person-in-charge of this branch from his

Non-compliance incident	Brief explanation and our primary remedial measures
	post. For the purpose of further reinforcing our internal control system to prevent such illegal fund-raising activities from re-occurring, we have put in place the following measures: in May 2014, we issued a handbook on anti-illegal fund-raising activities to our employees and our investors; in March 2015, we required all of our headquarters' departments and all the branches to acquire the information on its employees' loans and guarantees, to check the employees' online social platforms that are publicly available to trace the non-compliant conducts of the employees, and to request its employees to report any suspicious activities to our headquarters. After the breach of our "Chinese Wall" in January 2013, we had taken the rectification measures which include: (i) specifying duties between Huatai United and us with respect to the "Chinese Wall"; (ii) strengthening our existing "Chinese Wall" between investment banking and research activities; and (iii) upgrading our IT system to update and report the restricted list of Huatai United on a real-time basis.
(iii) We did not issue an inspection opinion strictly in accordance with the regulations during the compliance review of one of our asset management schemes issued in December 2012. We were required to rectify the non-compliance incidents above and submit a written report to the Jiangsu Securities Regulatory Bureau within 30 days after receiving its written decision.	According to the relevant regulations and rules, when issuing asset management schemes, we need to submit our written opinions on the compliance of the asset management schemes. After investigation, we did submit such written opinion, but we held a different understanding on the regulations on innovative business in this opinion with the regulator. With respect to this, we had requested our compliance inspection employees to carry out their compliance review prudently and reinforced the cross re-examination process so as to ensure the quality and effectiveness of our compliance review after this incident. We submitted the written report on May 24, 2013 and as of the Latest Practicable Date, the Jiangsu Securities Regulatory Bureau did not raise any follow-up question in respect of our rectification report, nor did it impose any regulatory penalty on us.

Non-compliance incident	Brief explanation and our primary remedial measures
In April 2013, the Jiangsu Securities Regulatory Bureau of the CSRC found that we used the assets under one of our collective asset management schemes to invest in the account receivables of a company through our targeted asset management schemes in December 2012 and therefore indirectly expanded the investment scope of our collective asset management scheme. As a regulatory action, the Jiangsu Securities Regulatory Bureau of the CSRC required us to increase the frequency of our internal compliance examination on our asset management business to four times (every three months) during the period from May 1, 2013 to April 30, 2014 and submit an examination report to the authority after each inspection.	In 2012, the CSRC issued the Administrative Measures for the Client Assets Management Business of Securities Companies and the Implementing Rules on the Collective Assets Management Business of Securities Companies, which expanded the investment scope of collective asset management schemes to include securities investment funds, special assets management schemes of securities companies, wealth management schemes of commercial banks, collective fund trust plans and other financial products that are approved or filed for issuance by the financial regulatory departments. While we believe investment in targeted asset management scheme would be permissible under the new regulations, the CSRC interpreted such investment as an indirect investment in the accountable receivables, which are beyond the permitted investment scope under these new regulations. Immediately after this incident, we ceased to use assets under our collective asset management schemes to invest directly and indirectly in account receivables. Further, we terminated the asset management contract that connected the collective scheme with the targeted scheme, returned the funds and the interest thereof to the custodian bank's account and then liquidated such collective asset management scheme to return the relevant capital to the principals in March 2013. In addition, as requested by the Jiangsu Securities Regulatory Bureau, we carried out four internal inspections and submit detailed rectification reports to the CSRC in July 2013, October 2013, January 2014 and April 2014, respectively. We also offered training to our asset management employees to help them understand the new regulations. As of the Latest Practicable Date, we have not been required to submit any subsequent written documents and the Jiangsu Securities Regulatory Bureau did not raise any follow-up question in respect of the four inspection reports.

Our Directors confirm that none of our existing Directors or members of our senior management has been involved in any of the regulatory non-compliance incidents disclosed above. Due to the fact that (i) we have implemented measures to rectify the non-compliance incidents immediately upon becoming aware of the incidents as disclosed above and all such incidents have been rectified up to the Latest Practicable Date; (ii) in response to the above non-compliance incidents, we have carefully investigated each incident and implemented a series of remedial measures, supervision mechanisms and policies to strengthen our risk management and internal control, and our internal control consultant has confirmed that remedial measures have been taken to rectify the internal control deficiencies of the Group; and (iii) the regulatory non-compliance incidents disclosed above are not significant to our business operations and does not have any material adverse effect on our business, financial condition and results of operations, or this Global Offering as confirmed by our PRC legal advisors, King & Wood Mallesons, we are of the view that (i) we have adequate and effective internal controls to prevent similar non-compliances from reoccurring in the future; and (ii) such incidents do not affect the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules.

Based on the above and the due diligence performed by the Joint Sponsors and after taking into consideration the fact that (i) the Company has received an "AA" regulatory rating from the CSRC for five consecutive years since 2010, being the highest rating attained by PRC securities firms so far (for details of the factors taken into account by the CSRC in assigning regulatory ratings, see "Regulatory Environment"); (ii) no objections have been raised and no follow-up actions have been taken by the regulatory authorities in the PRC against the rectification reports or remedial measures taken by the Group in relation to the regulatory non-compliance incidents disclosed in this prospectus as of the Latest Practicable Date; (iii) control measures have been undertaken by the Company to prevent the re-occurrence of similar incidents; (iv) the internal control consultant of the Company has confirmed that remedial measures have been taken to rectify the internal control deficiencies of the Group; and (v) none of the Directors was subject to any warning, penalty, sanction or reprimand by the regulatory authorities in the PRC as a result of the regulatory non-compliance incidents disclosed in this prospectus as of the Latest Practicable Date, the Joint Sponsors are of the view (a) that the Company's internal control measures are adequate and effective in all material respects; and (b) that the suitability of the Directors to act as directors of the Company under Rules 3.08 and 3.09 of the Listing Rules would not be adversely affected by such incidents.

The Company engaged an independent internal control consultant to perform an internal control agreed upon procedures long form report review for the Group between November 2014 and January 2015 based on the agreed scope with the Joint Sponsors. The internal control consultant performed a follow-up review in February 2015 and did not identify any material deficiency in its follow-up review.

Regulatory Inspections

The regulatory authorities, such as the CSRC and the SFC, carry out periodic or ad hoc inspections, examinations and inquiries in respect of our compliance with the laws, regulations, guidelines and regulatory requirements applicable to us and our business.

During the Track Record Period and up to the Latest Practicable Date, the CSRC and its local offices and bureaus carried out routine or ad hoc inspections of our Group covering, among other things, our risk management and internal controls, corporate governance and business line specific areas, including our securities brokerage business, futures brokerage business, futures IB business, margin financing and securities lending business and direct investment business. Certain inspections, although not resulting in fines or other penalties imposed on us, have revealed certain deficiencies and weaknesses in our business operations, risk management and internal controls, and we took immediate remedial measures and enhanced our risk management and internal control systems in response to the CSRC's recommendations. Below we set forth a number of key regulatory inspections:

- On January 20, 2014, after conducting on-site verification on three companies under the supervision of Huatai United and off-site verification on another five companies under its supervision, the CSRC identified that Huatai United did not strictly perform its post-listing compliance supervision duties for some of these companies, and accordingly the CSRC issued a letter requesting Huatai United to (i) thoroughly analyze the issues related to these projects and take rectification measures accordingly; (ii) improve the corresponding regulations or post listing compliance supervision, working process, internal control and incentive and restrictive mechanism; and (iii) investigate the internal liabilities of the relevant responsible persons. In addition, the CSRC requested Huatai United to submit a rectification report before March 31, 2014. According to these recommendations, Huatai United immediately took rectification measures, which include: (i) summarizing the key issues and circulating such summary as training material to all the related employees of Huatai United; (ii) carrying out comprehensive investigation and analysis on the issues related to these projects and requesting the relevant listed companies to rectify accordingly; (iii) requesting the relevant supervision officers to implement our post-listing compliance supervision and to further improve on-site verification quality strictly in accordance with the relevant rules of the CSRC; (iv) further reinforcing the supervision and inspection on the performance of the supervision obligations of Huatai United; and (v) promoting internal awareness of the issues and rectification measures adopted related to these projects. We submitted a rectification report in March 2014 and did not receive any follow-up letter or notice from the CSRC.
- On February 20, 2012, the Jiangsu Securities Regulatory Bureau of the CSRC issued a comment letter after they conducted an on-site inspection on us, which indicated that: (i) although we have established our management regulations on information isolation, we did not sufficiently monitor and effectively restrict the activities of the employees who cross the Chinese Wall; (ii) the staff in our investment bank department participated in the performance review for the researchers, which did not fully comply with the relevant internal regulations on the Chinese Wall; (iii) our risk control system and stress testing system needed to be further refined and we need to reinforce the appraisal on the effectiveness of our risk control system; (iv) we did not timely handle the unusual transactions in our fund distribution business. With respect to the inspection, we actively took rectification measures, which include: (i) reiterating that the researchers who cross the Chinese Wall should not publish securities research report by using the sensitive information acquired after he/she crossed the Chinese Wall and requiring such researchers to keep written records of his/her conduct; amending, publishing and implementing our internal regulations on Chinese Wall; (ii) designing questionnaires specially for identifying the risk tolerance of the clients for our securities investment consulting business and initiating the assessment on the risk tolerance of such clients; (iii) appointing our chief compliance officer to be in charge of stress testing and formulating a specific management rules for the assessment on the validity of our risk control system; and (iv) requiring the relevant staff to carry out real time monitoring over the abnormal transactions. As required by this comment letter, we submitted our rectification report and compliance review report in March 2012 and we have not received any follow-up letters or notice from the Jiangsu Securities Regulatory Bureau of the CSRC for this matter.

- On May 4, 2015, Huatai Financial Holdings notified the SFC that it had failed to reflect the special margin ratios in the statements of five of its clients (seven clients in total have been granted special margin ratio but two of them did not have any stock or trade with Huatai Financial Holdings since January 2015), which constitutes a breach under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules (Chapter 571Q). Huatai Financial Holdings submitted an email to the SFC on the same day stating that as a result of an upgrade in the front IT system of Huatai Financial Holdings, there was a lag in the back office IT system which did not update correspondingly. Accordingly, while the front office and risk management department of Huatai Financial Holdings could see the changes in the clients' actual special margin ratios, the back-office operation department was unable to capture such changes and accordingly, the statements for such 5 clients did not reflect the special margin ratios granted to them. In order to rectify this, Huatai Financial Holdings had, working with the IT system vendor fixed the IT issues on May 5, 2015.

- On December 2, 2013, the SFC, following its inspection, notified Huatai Financial Holdings of its findings regarding some breaches, deficiencies and irregularities with respect to its business activities, including margin financing activities, controls and procedures in handling client assets, and controls in dealing with anti-money laundering and counter-terrorist financing matters. In response to the SFC's findings, Huatai Financial Holdings investigated the issues identified and submitted responses to the SFC to explain the background to and reasons for the issues identified, the internal controls implemented and the rectification measures taken. After several rounds of follow-up inquiries regarding the responses submitted by Huatai Financial Holdings to the issues raised by the SFC on December 2, 2013, the SFC indicated to Huatai Financial Holdings in August 2014 that it had no further comments on those responses submitted.

Our Directors confirm that, except as disclosed in the section entitled "—Legal and Regulatory—Regulatory Non-compliances," there were no other material regulatory examination findings or material incidents of regulatory non-compliance during the Track Record Period and up to the Latest Practicable Date.

OVERVIEW

Our Group had entered into a number of transactions with individuals and entities that will become our connected persons (as defined under Chapter 14A of the Hong Kong Listing Rules) upon Listing, and such transactions will continue after Listing and will therefore constitute continuing connected transactions of our Company under the Hong Kong Listing Rules.

Further, as our A Shares are listed on the Shanghai Stock Exchange, we will continue to be subject to and regulated by the SSE Listing Rules and other applicable laws and regulations in the PRC as long as our A Shares remain listed. However, the requirements of the Hong Kong Listing Rules in relation to connected transactions differ from those of the Shanghai Stock Exchange. In particular, the definition of connected person (especially the definition of associate) pursuant to the Hong Kong Listing Rules is different from the definition of related party pursuant to the SSE Listing Rules. Therefore, a connected transaction pursuant to the Hong Kong Listing Rules may not constitute a related party transaction pursuant to the SSE Listing Rules, and vice versa.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions are made on normal commercial terms where each of the relevant percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will, as our Directors currently expect, be less than 0.1% on an annual basis. By virtue of Rule 14A.76(1) of the Hong Kong Listing Rules, the transactions are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

1. Property Lease and Management

Pursuant to a property lease and management agreement between our Company and Shanghai Xinjiang Industrial Co., Ltd. (上海興江實業總公司, currently Shanghai Zijinshan Hotel, "Zijinshan Hotel"), an associate of Jiangsu Guoxin, we agreed to lease one property owned by us located at No. 229, Rushan Road, Shanghai, the PRC to Zijinshan Hotel and entrust Zijinshan Hotel to manage the property which has been subleased to an Independent Third Party tenant for its hotel operation. The property lease and management agreement will expire on August 18, 2015 and such arrangements will not be renewed by us upon expiry. All rental payable by Zijinshan Hotel to us is determined based on the rental payable by the Independent Third Party tenant to Zijinshan Hotel under their sub-lease arrangements. Pursuant to the property and management agreement, Zijinshan Hotel will deduct a 15% management fee from the rental payable to us. The lease and management agreement was originally entered into by Xintai Securities prior to its merger with us with the predecessor of Zijinshan Hotel on a long term basis and the management fee charged by Zijinshan Hotel from us is determined after arm's length negotiations between the parties based on the amount of work involved in the management of the property (including sub-leasing it to a tenant, collecting rental from such tenant and managing the property).

Jiangsu Guoxin is a substantial shareholder of the Company and Zijinshan Hotel is an associate of Jiangsu Guoxin. Both Jiangsu Guoxin and Zijinshan Hotel will therefore become connected persons of us. The arrangements under which we entrust and lease our property to Zijinshan Hotel will constitute continuing connected transactions of our Company under the Hong Kong Listing Rules until its expiry on August 18, 2015. Given that the relevant percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will be less than 0.1% for the remaining term of the property lease and management agreement, the transactions under the property lease and management arrangement are *de minimis* transactions and thus will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

2. Provision of Securities Brokerage and Asset Management Services to Connected Persons

(1) Provision of securities brokerage services to our Directors, Supervisors and their respective associates

In our ordinary course of business, we provide securities brokerage services to our Directors, Supervisors and their respective associates (who are connected persons of us) in accordance with the applicable laws and regulations. The terms and conditions of the securities brokerage services (including but not limited to the commission and fee charged by us) which we offered to such connected persons are on normal commercial terms comparable to those offered to Independent Third Parties. It is expected that we will continue to provide securities brokerage services to such connected persons upon the Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Hong Kong Listing Rules. Given that the relevant percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will, as our Directors currently expect, be less than 0.1% on an annual basis, the transactions under the securities brokerage services to our Directors, Supervisors and their respective associates are *de minimis* transactions and thus will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(2) Provision of securities brokerage and asset management services to Jiangsu Guoxin and its associates

In our ordinary course of business, we provide securities brokerage and asset management services to Jiangsu Guoxin and its associates (who are connected persons of us) in accordance with the applicable laws and regulations. The terms and conditions of the securities brokerage and asset management services (including but not limited to the commission and fee charged by us) which we offered to such connected persons are on normal commercial terms comparable to those offered to Independent Third Parties. It is expected that we will continue to provide securities brokerage and asset management services to such connected persons upon the Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Hong Kong Listing Rules.

Given that the relevant percentage ratios (except for the profits ratio) in respect of the securities brokerage and asset management services calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will, as our Directors currently expect, be less than 0.1% on an annual basis, the transactions under any of the securities brokerage and asset management services to Jiangsu Guoxin and its associates are *de minimis* transactions and thus will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

OVERVIEW

Our Board currently consists of fourteen Directors. Two of them are executive Directors and seven of them are non-executive Directors. The rest are independent non-executive Directors. The Directors are elected at the general meetings. Directors serve for a term of three years and shall be subject to re-election upon retirement. Independent non-executive Directors shall not hold office for more than six consecutive years.

The Supervisory Committee currently consists of nine Supervisors, including the chairman of the Supervisory Committee. The Supervisors include three employee representative Supervisors and six shareholder representative Supervisors. The shareholder representative Supervisors and the employee representative Supervisors are elected at the general meetings and the staff representative assembly, respectively, for a term of three years and shall be subject to re-election upon retirement.

The following tables set forth information regarding our Directors, Supervisors and senior management. All of the Directors, Supervisors and senior management have met the qualification requirements under the relevant PRC laws and regulations for their respective positions.

Directors, Supervisors and Senior Management

The following table shows the key information of our Directors:

Name	Age	Date of joining the Group	Date of appointment for the current tenure	Position	Responsibility	Relationship with other Directors, Supervisors and senior management
Mr. WU Wanshan (吳萬善)	52	May 1991	November 2013	Chairman of the Board *(Chairman of Development Strategy Committee)*	In charge of the work of the Board and formulates corporate and development strategies	None
Mr. ZHOU Yi (周易)	46	August 2006	November 2013	Director and president	Oversees the Company's daily operation and management, formulates corporate and business strategies and determine or nominate the senior management of the Company	None
Mr. SUN Lu (孫魯)	59	September 2014	September 2014	Non-executive Director *(Chairman of Compliance and Risk Management Committee)*	Participates in making significant decisions and gives advice on our corporate governance, connected transactions, compliance and risk management	None

Name	Age	Date of joining the Group	Date of appointment for the current tenure	Position	Responsibility	Relationship with other Directors, Supervisors and senior management
Mr. WANG Shuhua (王樹華)	47	May 2002	November 2013	Non-executive Director	Participates in making significant decisions and gives advice on our corporate governance, connected transactions and development strategies	None
Ms. PU Baoying (浦寶英)	51	April 2004	November 2013	Non-executive Director	Participates in making significant decisions and gives advice on our corporate governance, connected transactions, audit and internal control	None
Mr. SUN Hongning (孫宏寧)	53	May 2002	November 2013	Non-executive Director	Participates in making significant decisions and gives advice on our corporate governance, connected transactions, and remuneration and nomination of Directors and senior management	None
Mr. ZHOU Yong (周勇)	48	January 2015	January 2015	Non-executive Director	Participates in making significant decisions and gives advice on our corporate governance, connected transactions, compliance and risk management	None
Mr. CAI Biao (蔡標)	52	May 2002	November 2013	Non-executive Director	Participates in making significant decisions and gives advice on our corporate governance and connected transactions	None

Name	Age	Date of joining the Group	Date of appointment for the current tenure	Position	Responsibility	Relationship with other Directors, Supervisors and senior management
Mr. YING Wenlu (應文祿)	49	September 2007	November 2013	Non-executive Director	Participates in making significant decisions and gives advice on our corporate governance and connected transactions	None
Mr. BAI Wei (白維)	50	December 2010	November 2013	Independent non-executive Director *(Chairman of Nomination Committee and Remuneration and Appraisal Committee)*	Participates in making significant decisions and gives advice on our corporate governance, connected transactions, and remuneration and nomination of Directors and senior management	None
Mr. SHEN Kunrong (沈坤榮)	51	November 2013	November 2013	Independent non-executive Director	Participates in making significant decisions and gives advice on our corporate governance, connected transactions and development strategies	None
Mr. LIU Hongzhong (劉紅忠)	49	November 2013	November 2013	Independent non-executive Director	Participates in making significant decisions and gives advice on our corporate governance, connected transactions, audit and internal control	None
Ms. ZHANG Jie (張捷)	38	November 2013	November 2013	Independent non-executive Director	Participates in making significant decisions and gives advice on our corporate governance, connected transactions, and remuneration and nomination of Directors and senior management	None

Name	Age	Date of joining the Group	Date of appointment for the current tenure	Position	Responsibility	Relationship with other Directors, Supervisors and senior management
Mr. LEE Chi Ming (李志明)	62	April 2015	April 2015	Independent non-executive Director (Chairman of Audit Committee)	Participates in significant decision making and gives advice on our corporate governance, connected transactions, audit and internal control	None

The following table shows the key information of our Supervisors:

Name	Age	Date of joining the Group	Date of appointment for the current tenure	Position	Responsibility	Relationship with other Directors, Supervisors and senior management
Mr. YU Yimin (余亦民), *Chairman*	46	November 1994	November 2013	Chairman of the Supervisory Committee	In charge of the work of the Supervisory Committee and supervises the performance of Directors and senior management	None
Mr. GAO Xu (高旭)	50	November 2013	November 2013	Supervisor	Supervises operation and financial activities as well as the performance of Directors and senior management	None
Mr. DU Wenyi (杜文毅)	52	December 2010	November 2013	Supervisor	Supervises operation and financial activities as well as the performance of Directors and senior management	None
Mr. SONG Weibin (宋衛斌)	50	November 2013	November 2013	Supervisor	Supervises operation and financial activities as well as the performance of Directors and senior management	None
Mr. MAO Huipeng (毛慧鵬)	36	December 2010	November 2013	Supervisor	Supervises operation and financial activities as well as the performance of directors and senior management	None

Name	Age	Date of joining the Group	Date of appointment for the current tenure	Position	Responsibility	Relationship with other Directors, Supervisors and senior management
Ms. DONG Junzheng (董軍政)	42	November 2013	November 2013	Supervisor	Supervises operation and financial activities as well as the performance of Directors and senior management	None
Ms. PENG Min (彭敏)	51	November 2013	November 2013	Employee representative Supervisor	Supervises the operation and financial activities on behalf of employees as well as the performance of Directors and senior management	None
Mr. ZHOU Xiang (周翔)	51	September 1993	November 2013	Employee representative Supervisor	Supervises the operation and financial activities on behalf of employees as well as the performance of Directors and senior management	None
Mr. ZHANG Hui (張輝)	40	February 2003	November 2013	Employee representative Supervisor	Supervises the operation and financial activities on behalf of employees as well as the performance of Directors and senior management	None

The following table shows the key information of our senior management:

Name	Age	Date of joining the Company	Date of appointment for the current tenure	Position	Responsibility	Relationship with other Directors, Supervisors and senior management
Mr. ZHOU Yi (周易)	46	August 2006	November 2013	Director and president	In charge of the management of our daily operation, formulates corporate and business strategies and gives advice on nomination of Directors and senior management	None

Name	Age	Date of joining the Company	Date of appointment for the current tenure	Position	Responsibility	Relationship with other Directors, Supervisors and senior management
Mr. ZHANG Haibo (張海波) . . .	51	November 1998	November 2013	Vice president	Assists the president in daily operation management and in charge of the asset management subsidiary	None
Mr. MA Zhaoming (馬昭明) . . .	51	September 1992	November 2013	Vice president	Assists the president in daily operation management and in charge of operation center and information technology	None
Mr. QI Liang (齊亮)	51	December 2000	November 2013	Vice president	Assists the president in daily operation management and in charge of Huatai-PineBridge	None
Mr. SUN Hanlin (孫含林)	49	August 1997	November 2013	Vice president	Assists the president in daily operation management and in charge of brokerage, sales & trading, wealth management, securities margin trading, OTC business and the wealth management center	None
Mr. WU Zufang (吳祖芳)	51	July 1992	November 2013	Vice president	Assists the president in daily operation management and in charge of securities investment and financial innovation	None
Mr. ZHANG Tao (張濤)	42	August 1994	November 2013	Vice president	Assists the president in daily operation management and in charge of Huatai Financial Holdings and Huatai Futures	None

Name	Age	Date of joining the Company	Date of appointment for the current tenure	Position	Responsibility	Relationship with other Directors, Supervisors and senior management
Mr. JIANG Jian (姜健)	48	December 1994	November 2013	Vice president, secretary to the Board	Assists the president in daily operation management, be responsible for the information disclosure, corporate governance and equity management and in charge of fixed income business, planning department and board office, liaise with Huatai United	None
Ms. SHU Ben'e (舒本娥)	50	May 1998	November 2013	Chief financial officer, general manager of planning and finance department	Assists the president in daily operation management and in charge of financial work	None
Ms. LI Yun (李筠)	42	May 2012	November 2013	Chief compliance officer, chief risk control officer, general manager of compliance legal department and general counsel	Assists the president in daily operation management and in charge of compliance and risk control issues	None

Mr. Wu Wanshan, an executive Director, is responsible for our overall business strategy and major business decisions. Mr. Zhou Yi, an executive Director and our president, is responsible for our general management and day-to-day operation. Our non-executive Directors, including our independent non-executive Directors, perform their duties through the Board and do not participate in the day-to-day management of our business operations. The members of our senior management are responsible for the day-to-day management of our business operations.

DIRECTORS

Executive Directors

Mr. Wu Wanshan (吳萬善), aged 52, is an executive Director and our Chairman, being responsible for formulating our overall development strategy and making major business decisions.

Mr. Wu was appointed as our chairman of the Board and the deputy party secretary in December 2007. Mr. Wu joined our Group since May 1991 and held the following positions with our predecessors, Jiangsu Securities Company and Huatai Securities Company Limited: deputy manager of securities issuance department and assistant to the general manager of the company from May 1991 to December 1993; deputy general manager from December 1993 to June 1997; president and deputy party secretary from June 1997 to September 2001; and chairman and deputy party secretary from September 2001 to December 2007. Mr. Wu has served as the chairman of China Southern Asset Management since September 2003, and the director of Huatai Financial Holdings since its establishment. Mr. Wu worked at the Financing Administration Office, Jiangsu Branch of the PBOC and the Nanjing Jiangning Sub-branch of the PBOC from July 1986 to May 1991. From March 1993 to December 1993, he held the position of general manager at Jiangsu Share Registrar. Mr. Wu obtained an EMBA from CEIBS in May 1999 after he obtained his bachelor's degree in economics from Nankai University (南開大學) in July 1986. Mr. Wu was approved as a qualified senior economist in November 1999. Mr. Wu, together with other directors of China Southern Asset Management, collectively oversee its business strategy and major decisions through the function of the board of directors but are not involved in the day to day management. In 2013, following the onsite inspection of the CSRC in response to complaints from investors, China Southern Asset Management was demanded by the CSRC to pay compensation of approximately RMB48 million to the unit holders of an ETF managed by it (the "ETF Incident") primarily due to the lack of sufficient diligence on the part of the relevant fund manager, salesman, investment director and chief of quantitative investment department (the "Relevant Employees") when making investment decisions in innovative ETF transactions in March 2013. Only the Relevant Employees were held personally responsible for not being diligent when making the relevant investment decision. Mr. Wu had no direct involvement in the ETF Incident. Neither the Relevant Employees nor Mr. Wu was personally liable for the relevant compensation. The compensation has been made by China Southern Asset Management in April 2013 and the CSRC did not conduct further inspection following their acceptance check of the rectification measures taken by China Southern Asset Management.

After undertaking relevant due diligence and taking into consideration the fact that (i) Mr. Wu had a non-executive role in China Southern Asset Management at the relevant time and was not personally involved in the ETF Incident; (ii) Mr. Wu was not subject to warning, penalty, sanction or reprimand by the regulatory authorities in the PRC as result of the ETF Incident; (iii) no objections have been raised and no follow-up actions have been taken by the relevant regulatory authority in the PRC against the rectification report or rectification measures taken by China Southern Asset Management in relation to the ETF Incident as of the Latest Practicable Date; (iv) no similar regulatory non-compliance incidents have occurred subsequent to the ETF Incident; and (v) Mr. Wu has not been disqualified from holding, or deemed unfit to hold, the position of director by the CSRC as a result of the ETF Incident; the Joint Sponsors are of the view that the ETF Incident does not affect Mr. Wu's suitability to act as a Director under Rules 3.08 and 3.09 of the Listing Rules.

Mr. Zhou Yi (周易), aged 46, is an executive Director and our president, being responsible for our overall management and day-to-day operation. Mr. Zhou was appointed as our Director, president and deputy party secretary in December 2007 and served as the party secretary since the second half of 2011. Mr. Zhou has joined our Group since August 2006 and held the following positions with our predecessor, Huatai Securities Company Limited: deputy party secretary from August 2006 to December 2007; president from February 2007 to December 2007; and director from September 2007 to December 2007. Mr. Zhou has served as the chairman of Huatai Ruitong Investment Management Co., Ltd. (華泰瑞通投資管理有限公司), Jiangsu Emerging Industry Investment Management Co., Ltd.

(江蘇省新興產業投資管理有限公司), Huatai Zijin Investment, Huatai Ruilian Fund Management Co., Ltd. (華泰瑞聯基金管理有限公司), Huatai Junxin Fund Investment Management Co., Ltd. (華泰君信基金投資管理有限公司) and Beijing Huatai Tongxin Investment Fund Management Co., Ltd. (北京華泰同信投資基金管理有限公司) since December 2012, June 2013, August 2013, November 2013, July 2014 and December 2014, respectively. Mr. Zhou has also served as director of Huatai Financial Holdings since its establishment and Huatai Asset Management since October 2014. After his graduation in 1990, Mr. Zhou worked with Jiangsu Posts & Telecommunications School, Jiangsu Telephone Switching Technology Maintenance and Support Centre (江蘇省電話交換技術維護支援中心), Jiangsu Posts & Telecommunications Bureau and Jiangsu Mobile Communication Co., Ltd. for almost 10 years before joining our Company. He served as the chairman of the board of directors of Jiangsu Bei'er Co., Ltd. (江蘇貝爾通信系統有限公司) (a company principally engaged in the provision of computer application services and was renamed as Jiangsu Xinwang Tech Co., Ltd. (江蘇欣網視訊科技有限公司) in August 2000 and was restructured into a joint stock company and renamed as Nanjing Xinwang Tech Co., Ltd. (南京欣網視訊科技股份有限公司) in November 2000) from April 2000 to June 2005. Mr. Zhou obtained a bachelor's degree majoring in engineering from Nanjing Institute of Posts and Telecommunications (南京郵電學院) in July 1990.

Non-executive Directors

Mr. Sun Lu (孫魯), aged 59, is a non-executive Director. Mr. Sun joined us and was appointed as our Director in September 2014. Mr. Sun is currently the deputy general manager and the director of Jiangsu Guoxin since December 2006. Since then, Mr. Sun has been in charge of administrating and monitoring the whole process of the investment activities of Jiangsu Guoxin, including investment decision and risk control (covering the pre-investment, project due diligence and post-investment management) and compliance operation, through which Mr. Sun has gained sufficient experience in the compliance and risk management on the investment activities. Mr. Sun has been a supervisor of Bank of Nanjing Co., Ltd. (stock code: 601009) since June 2014. Before joining our Company, Mr. Sun successively served as the department chief and deputy secretary of the Organization Department of the Youth League Committee of Lianshui County (漣水團縣委), the department chief and party member of the Propaganda Department of Huaiyin Youth League, the deputy secretary of Huaiyin Youth League and the chairman of the Youth Federation (青年聯合會), the party secretary and deputy director of the Federation of Supply and Marketing Cooperatives in Huaiyin (淮陽市供銷社) as well as director and secretary of the party committee of Huaiyin Commerce Bureau from March 1981 to September 1996. He served as the deputy secretary general of Huaiyin People's Government from September 1996 to July 1997; the division chief of the Commerce Management Division of the Jiangsu Ministry of Commerce from July 1997 to August 2000; the division chief of the Market Division of Economic and Trade Commission of Jiangsu Province from August 2000 to December 2000; and the director, deputy general manager and party member of Jiangsu State-owned Assets Operation (Holding) Co., Ltd. (江蘇省國有資產經營（控股）有限公司) from December 2000 to December 2006. Mr. Sun graduated from Nanjing College of Engineering, majoring in mechanical engineering in July 1978. Mr. Sun was granted the title of senior administration engineer in August 1994.

Mr. Wang Shuhua (王樹華), aged 47, is a non-executive Director. He joined our Group and was appointed as our Director in December 2007. Mr. Wang acted as the head of the general manager office and a member of party committee of Jiangsu Guoxin since January 2007 and November 2013, respectively. Mr. Wang acted as director of Huatai Securities Company Limited, our predecessor, from May 2002 to December 2007. Mr. Wang acted as the office head of Jiangsu Guoxin from June 2002 to January 2007 and concurrently acted as the manager of human resource and education department of

Jiangsu Guoxin from October 2003 to September 2004. Mr. Wang has been the board chairman of Sainty Marine Corporation Ltd. (江蘇舜天船舶股份有限公司) (stock code: 002608) since September 2014. He has also been the chairman of board of supervisors of Jiangsu International Trust Corporation Limited (江蘇省國際信託有限責任公司) since March 2014 and acted as the director of China Eastern Airlines Jiangsu Ltd., Nanjing China Electron Panda Information Industry Co., Ltd. (南京中電熊貓信息產業有限公司), Suzhou Industrial Park Co., Ltd. (蘇州工業園區股份有限公司) and Nanjing Yue Jin Auto Co., Ltd. (南京躍進汽車有限公司) respectively from April 2006, April 2007, August 2014 and August 2014. Mr. Wang became a doctor of management in September 2006 after he completed his education in Nanjing University (南京大學).

Ms. Pu Baoying (浦寶英), aged 51, is a non-executive Director and was appointed as our Director in November 2013. She has joined our Group since April 2004 as director of our predecessor, Huatai Securities Company Limited, from April 2004 to September 2007 and became its supervisor from September 2007 to December 2007. Ms. Pu was our supervisor from December 2007 to November 2013. She has acted as the general manager of the financial department of Jiangsu Guoxin since December 2013. Ms. Pu has also been the director of Jiangsu Real Estate Investment Co., Ltd. (江蘇省房地產投資有限責任公司) since August 2014, Jiangsu Investment Management Corporation Limited, (江蘇省投資管理有限責任公司) and Jiangsu Broadcasting Cable Information Network Investment Co., Ltd. (江蘇省廣播電視信息網絡投資有限公司) since April 2014, Jiangsu International Trust Corporation Limited (江蘇省國際信託有限責任公司) since December 2013 and Jiangsu Guoxin Group Finance Co., Ltd. (江蘇省國信集團財務有限公司) since January 2014, respectively. Ms. Pu's other primary working experience include: the general accountant and financial principal of Jiangsu Building Material Industry Research Institute (江蘇省建材工業研究所), the principal of the financial section of Jiangsu Building Material Research and Design Institute (江蘇省建材研究設計院), the assistant to the section chief and then section chief of the financial section and the section chief of the accounting and audit department of Jiangsu Building Material Industry Co., Ltd. (江蘇省建材工業總公司) from July 1986 to July 2000; the deputy department chief of the Planning and Finance Department of Nanjing Lukou International Airport (南京祿口國際機場) and manager of the financial department of Nanjing Airport Development Co., Ltd. (南京空港發展股份有限公司) from July 2000 to April 2001; and the manager of the audit and legal department of Jiangsu State-owned Assets Operation (Holding) Co., Ltd. from mid 2001 to January 2007. Ms. Pu obtained a bachelor's degree in economics from Soochow University (蘇州大學) in July 1986 and a master degree of management from The Hong Kong Polytechnic University in December 2006.

Mr. Sun Hongning (孫宏寧), aged 53, is a non-executive Director and was appointed as our Director in December 2007. Mr. Sun has joined our Group as director of our predecessor, Huatai Securities Company Limited, since May 2002. Mr. Sun is currently the deputy general manager, director and a party committee member of Jiangsu Communications Holding Company Limited (one of our shareholders, an investment platform that is established by the Jiangsu SASAC). Mr. Sun has been a director of Jinling Hotel Corporation (金陵飯店股份有限公司) (stock code: 601007) since December 2002. Mr. Sun acted as the assistant to the general manager of Jiangsu Communications Holding Company Limited (江蘇交通控股有限公司) from March 2002 to May 2003. Mr. Sun finished his 2-year cadre education program in the Chinese Department of Soochow University (蘇州大學) in June 1988, and obtain his EMBA from CEIBS in March 2005.

Mr. Zhou Yong (周勇), aged 48, is a non-executive Director. Mr. Zhou joined us and was appointed as our Director in January 2015. He has served as the director, president and deputy secretary of the party committee of Jiangsu SOHO Holding Group Co., Ltd. (江蘇省蘇豪控股集團有限公司) (one of our existing shareholders, "Jiangsu SOHO") (primarily engaging in investment, trade, real estate and culture industry) since May 2013 and performed as the chairman of Jiangsu Holly International Group (江蘇弘業國際集團有限公司) (primarily engaging in state-owned assets management, domestic trading and import business) and Holly Futures Brokerage Co., Ltd. since June 2012 and January 2001 respectively. Mr. Zhou has also been elected as the chairman of Jiangsu Futures Association (duty of which includes monitoring the operation in compliance of the futures companies in Jiangsu) since October 2007. He has also held various positions such as the chairman of Jiangsu Artall Culture Industry Co., Ltd. (江蘇愛濤文化產業有限公司) since July 2011, the chairman of Jiangsu Cultural Asset and Equity Exchange Co., Ltd. (江蘇省文化產權交易所有限公司) since October 2012, the director of Jiangsu Holly Co., Ltd. (江蘇弘業股份有限公司) (stock code: 600128) from January 2010 to March 2015, the director of Jiangsu Soho Investment Group Co., Ltd. (primarily engaging in industrial investment and asset management business) since February 2013, and the independent director of Aerosun Co., Ltd. (stock code: 600501) since May 2011. In addition to the above, Mr. Zhou served successively as a technician of East China Optical Instrument Plant (華東光學儀器廠) and worked with Foreign Economic Cooperation Office from August 1987 to July 1992, the preparation team member and deputy general manager of Nanjing Petroleum Trading Co., Ltd. (南京石油交易所有限公司) (primarily engaging in futures trading business) from August 1992 to August 1995, the assistant to general manager of Jiangsu Suwu Futures Brokerage Co., Ltd. (江蘇蘇物期貨經紀有限公司) from September 1995 to April 1998, staff and then the general manager of securities department of Jiangsu Arts & Crafts Import and Export Company (江蘇省工藝品進出口公司) from April 1998 to February 1999; the general manager of Jiangsu Holly International Investment Management Co., Ltd. (江蘇弘業國際集團投資管理有限公司) from February 1999 to June 2006; the vice president and member of the party committee of Jiangsu Holly International Group Co., Ltd. (江蘇弘業國際集團有限公司) from June 2006 to July 2010, the vice president and the member of the party committee of Jiangsu Silk Group Co., Ltd (江蘇省絲綢集團有限公司) from July 2010 to August 2011 and the vice president and the member of the party committee of Jiangsu SOHO Holding Group Co., Ltd. from August 2011 to May 2013. Mr. Zhou obtained a bachelor of science from Sichuan University in July 1987. After that, he obtained his master's degree majoring in economy from Fudan University in January 1998. Mr. Zhou then obtained his doctoral degree from Nanjing University in December 2004. Mr. Zhou was granted the title of senior economist and senior international business engineer by Jiangsu Province Personnel Department (江蘇省人事廳) (currently renamed as the Human Resources and Social Security Office of Jiangsu (江蘇省人力資源和社會保障廳) respectively in September and October 2009.

Mr. Cai Biao (蔡標), aged 52, is a non-executive Director. He has joined our Group since May 2002 and served as the vice chairman of the board of our predecessor, Huatai Securities Company Limited from May 2002 to September 2007, and the director from September 2007 to December 2007. He was appointed as our Director in December 2007. Mr. Cai has acted as the general manager of the investment and development department of Jiangsu High Hope International Group Co., Ltd. (江蘇匯鴻國際集團有限公司) (one of our existing shareholders, "Jiangsu High Hope") (primarily engaging in trading, real estate and investment business) since the first half of 2011. Mr. Cai has been on the board of our Group for more than ten years and has obtained a good understanding of our daily operation and potential compliance risk. Since 2011, Mr. Sun took full responsibility of the risk control, compliance review and decision making of the investment projects of Jiangsu High Hope. Before joining our Company, Mr. Cai served as accountant in the financial department of Nanjing Textiles Import & Export Corp., Ltd. from July 1982 to December 1986, and deputy director of the enterprise management department of Jiangsu Knitwear Import and Export Corporation (江蘇省針棉織品進出口公司) from January 1987 to March 1997. Mr. Cai graduated from Jiangsu

Provincial Party School and obtained his academic certificate of master majoring in political economy in June 2002. Mr. Cai was granted the title of certified public accountant in September 1992.

Mr. Ying Wenlu (應文祿), aged 49, is a non-executive Director. He served as supervisor of our predecessor, Huatai Securities Company Limited from September 2007 to December 2007 and was appointed as our Supervisor and Director respectively in December 2007 and December 2010. Mr. Ying has acted as the deputy general manager and a member of party committee of Jiangsu Govtor Capital Group Co., Ltd. (江蘇高科技投資集團有限公司) (one of our existing shareholders, "Jiangsu Govtor Capital") since August 2005. Jiangsu Govtor Capital focuses on private equity/venture capital investment and it has invested in over hundreds of companies. Being fully responsible for the Jiangsu Govtor Capital's investment activities since 2005, Mr. Ying has obtained abundant experience in investment and management of venture companies (including their internal control and risk management). Mr. Ying has been appointed as the member on the Issuance Examination Committee of the PRC's Growth Enterprises Market by the CSRC since August 2014. He served as the independent non-executive director of Nanjing Iron & Steel Co., Ltd. (stock code: 600282) from September 2008 to December 2014. Mr. Ying acted as the general accountant, deputy general manager, director and member of the party committee of Jiangsu Hiteker Co., Ltd. (stock code: 600122, primarily engaging in IT, electronic manufacturing and real estate businesses) from June 2004 to June 2007. Mr. Ying obtained his EMBA degree from Nanjing University in December 2004 after he graduated from Nanjing University in December 1996. Mr. Ying was granted the title of senior accountant in September 1999.

Independent non-executive Directors

Mr. Bai Wei (白維), aged 50, is an independent non-executive Director. Mr. Bai joined us and was appointed as an independent Director in December 2010. Mr. Bai has over 20 years of experience as a lawyer. He started working at Jingtian & Gongcheng in Beijing (北京市競天公誠律師事務所) in April 1992 and worked as a lawyer at Sullivan & Cromwell LLP in 1997 after he had started his practice in July 1989 at Global Law Office in China. He is currently a partner at Jingtian & Gongcheng in Beijing. Respectively since April 2011 and July 2013, Mr. Bai has been performing as independent non-executive director for Ningxia Orient Tantalum Industry Co., Ltd. (寧夏東方鉭業股份有限公司, stock code: 000962) and China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險（集團）股份有限公司, A share stock code: 601601, H share stock code: 02601). Mr. Bai obtained a master's degree in private international law from China Foreign Affairs University in July 1989. Mr. Bai also obtained a master's degree from NYU School of Law in May 1997.

Mr. Shen Kunrong (沈坤榮), aged 51, is an independent non-executive Director. Mr. Shen joined us and was appointed as an independent non-executive Director in November 2013. In addition, Mr. Shen has acted as an independent director of Nanjing Qixia Development Co., Ltd. (南京棲霞建設股份有限公司) (stock code: 600533), Jiangsu Phoenix Publishing & Media Co. Ltd. (江蘇鳳凰出版傳媒股份有限公司) (stock code: 601928), Nanjing Hongtu High Technology Co., Ltd. (南京宏圖高科技股份有限公司) (stock code: 600122) and Whirlpool China Co., Ltd. (惠而浦（中國）股份有限公司) (stock code: 600983). Mr. Shen has also been an independent director of Suning Commerce Group Co., Ltd. (蘇寧雲商集團股份有限公司) (stock code: 002024) from 2007 to 2013. Mr. Shen has been the professor the Economics Department of Nanjing University since September 1998 and its doctoral advisor since December 1999. He was the senior research fellow of Department of Economics, Stanford University from 2002 to 2003. Mr. Shen acquired his doctoral degree in economics from Renmin University of China in July 1996 and his master's degree in economics from

Nanjing University in June 1991 after he obtained a bachelor's degree in science from Nanjing University in July 1986.

Mr. Liu Hongzhong (劉紅忠), aged 49, is an independent non-executive Director. Mr. Liu joined us and was appointed as an independent non-executive Director in November 2013. Mr. Liu has been an independent director of Shenyin & Wanguo Futures Company Limited (申銀萬國期貨有限責任公司), Donghai Futures Co., Ltd. (東海期貨有限責任公司), Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司), China International Fund Management Co., Ltd. (上投摩根基金管理有限公司) and Shanghai Construction Group Co., Ltd. (上海建工集團股份有限公司) (stock code: 600170) since February 2008, July 2009, September 2009, May 2013 and June 2013, respectively. Mr. Liu has acted as a lecturer and an associate professor of the Department of World Economics (later the Department of International Economics) of Fudan University since July 1991; and a professor of the Department of Finance of Fudan University since May 1999, and the Dean of this Department since October 2000. Mr. Liu acquired his doctoral degree in economics from Fudan University in June 1998 and his master's degree in world economics from Fudan University in July 1991 after he obtained a bachelor's degree in economics from Fudan University in July 1988.

Ms. Zhang Jie (張捷), aged 38, is an independent non-executive Director. Ms. Zhang joined us and was appointed as an independent non-executive Director in November 2013. Ms. Zhang has also served as an independent director of Lishui Rural Commercial Bank (慄水農村商業銀行) and Jiangsu Holly Futures Co., Ltd. (江蘇弘業期貨股份有限公司) since May 2012 and June 2012, respectively. Since April 2001, Ms. Zhang worked as a teaching assistant, lecturer, associate professor and researcher of the College of Economics and Management, Nanjing University of Aeronautics and Astronautics. Ms. Zhang obtained her bachelor's degree in economics and master's degree in management science from Nanjing University of Aeronautics and Astronautics in July 1998 and March 2001, respectively. After that, she acquired her doctoral degree in business management from Nanjing University in June 2008.

Mr. Lee Chi Ming (李志明), aged 62, currently a fellow member of the Association of Chartered Certified Accountants (FCCA) and Hong Kong Institute of Certified Public Accountants (FCPA), has over 25 years' experience in the fields of accounting, regulations and asset management. Mr. Lee was the president of Association of Chartered Certified Accountants (Hong Kong) from 2003 to 2004 and a Council member of Hong Kong Institute of Certified Public Accountants from 2004 to 2005. Since July 1995, Mr. Lee has held various senior positions with the Securities and Futures Commission of Hong Kong. Mr. Lee retired from the Securities and Futures Commission of Hong Kong in 2014. Mr. Lee has been an independent non-executive director of South East Group Limited (stock code: 00726) since December 2014. Mr. Lee obtained his higher diploma in accountancy from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in January 1976 and a bachelor's degree (as an external student) in law from the University of London in August 1988, and acquired his MBA degree from the University of Hong Kong in November 1993.

According to our Articles of Association, the Board shall consist of 15 members. As a result of the resignation of Mr. Wang Quanzhou (our former independent non-executive Director), there will only be 14 members of the Board upon our Listing on the Stock Exchange. The Board shall nominate a new Director candidate to fill the vacancy as soon as possible and shall seek the Shareholders' approval for the appointment of the new Director after the appointment qualification of such new Director is confirmed. As advised by our PRC legal advisors, after the resignation of Mr. Wang Quanzhou, (i) the total number of members of the Board will not be fewer than the minimum quorum;

(ii) the total number of Directors will not be fewer than two-thirds of the number prescribed in the Articles of Association; and (iii) the number of independent Directors will not be fewer than the minimum quorum. Hence, (i) the total number and structure of the Board will not violate relevant stipulations of PRC laws and regulations, and (ii) the resignation of Mr. Wang Quanzhou will not have substantial effects on the operation of the Board. In addition, the number of independent non-executive Directors upon our Listing will be more than one-third of the members of the Board. Mr. Lee is the independent non-executive Director with appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules. Therefore, the Company satisfies the requirements under Rule 3.10, Rule 3.10A and Rule 3.21 of the Listing Rules.

SUPERVISORS

Mr. Yu Yimin (余亦民), aged 46, was appointed as our Supervisor in December 2007 and since February 2008, he has acted as our chairman of the board of Supervisors. Mr. Yu joined our Group in September 1994 and held the following positions in Huatai Securities Company Limited, our predecessor: department general manager from November 1994 to September 2004; and supervisor from September 2007 to December 2007. Mr. Yu has acted as the vice president and a member of the party committee of Jiangsu Silk Group Co., Ltd. (now known as Jiangsu SOHO) since September 2004. Mr. Yu obtained his master's degree in economics from Nanjing University in September 2000 and master's degree in public administration from the University of Maryland in the United States in May 2012. Mr. Yu was granted the title of senior international business engineer by Jiangsu Province Personnel Department (江蘇省人事廳) (currently renamed as the Human Resources and Social Security Office of Jiangsu (江蘇省人力資源和社會保障廳)) in November 2008.

Mr. Gao Xu (高旭), aged 50, was appointed as our Supervisor in November 2013. Mr. Gao has hold the senior management positions (including general manager) of the asset management department of Jiangsu Guoxin since the beginning of 2007. His other primary work experience includes: a staff member of the Industrial Management Department of People's Government of Qixia District, Nanjing and staff member and then section chief of Nanjing Qixia Commission of Planning and Economics from July 1981 to January 1991; and staff member, deputy section chief and section chief, and then deputy division chief of the General Division of Jiangsu Administrative Bureau of State-owned Property from January 1991 to December 2000. Mr. Gao graduated from the Party school of the CPC majoring in economics and management in December 1997. Mr. Gao was granted the title of senior accountant in December 2004.

Mr. Du Wenyi (杜文毅), aged 52, was appointed as our Supervisor in December 2010. Mr. Du has been the deputy chief accountant (concurrently acting as the department chief of the finance department) of Jiangsu Communications Holding Co., Ltd. and the chairman of Jiangsu Communications Holding Group Finance Co., Ltd. since April 2014. Mr. Du has been a director of Jiangsu Expressway Company Limited (江蘇寧滬高速公路股份有限公司) (A share stock code: 600377, H share stock code: 00177) since June 2008. His other primary work experience includes: deputy head of the finance and auditing section of Jiangsu Communications Holdings Company Limited from September 2000 to November 2001; deputy head and head of the finance and auditing section of Jiangsu Communications Industry Group Co., Ltd. (江蘇交通產業集團有限公司) and its director from November 2001 to October 2004; head of the finance and audit department and then concurrently acting as the deputy chief accountant of Jiangsu Communications Holding Co., Ltd. from November 2007 to February 2011 and from February 2011 to September 2011, respectively. Mr. Du served as the deputy chief accountant (concurrently acting as the head of the finance and audit department) of

Jiangsu Communications Holding Co., Ltd. and the chairman of Jiangsu Communications Holding Group Finance Co., Ltd. (江蘇交通控股集團財務有限公司) from September 2011 to April 2014. Mr. Du obtained his bachelor's degree in engineering from Xi'an Highway Institute (西安公路學院) (currently as part of Chang'an University (長安大學)) in July 1983.

Mr. Song Weibin (宋衛斌), aged 50, was appointed as our Supervisor in November 2013. Mr. Song was the assistant to the general manager of the asset and finance department of Jiangsu High Hope from July 2011 to April 2014, and became the deputy general manager since April 2014. His other primary work experience includes: employee of the Jiangsu Tianhua Dapeng Accounting Firm Co., Ltd. from October 2002 to June 2011 and department manager since January 2004; Mr. Song obtained his college degree in foreign trade economy from Jiangsu Foreign Trade Workers University in July 1986. Mr. Song was granted the title of accountant in July 1992.

Mr. Mao Huipeng (毛慧鵬), aged 36, was appointed as our Supervisor in December 2010. Mr. Mao has been the senior manager of the financial asset department of Jiangsu Govtor Capital since June 2005. His other primary work experience includes: employee of investment department of Jiangsu Xinsu Financial Consultation Co., Ltd. from July 2000 to July 2001; and investment manager of the security investment department of Jiangsu Venture Investment Co., Ltd. from January 2001 to June 2005. Mr. Mao obtained his bachelor's degree in economics from Nanjing Agricultural University in July 2000.

Ms. Dong Junzheng (董軍政), aged 42, was appointed as our Supervisor in November 2013. Ms. Dong has been the budget commissioner and the deputy general manager of the finance department of Guohua Energy Investment Co., Ltd. since September 2007. Her other primary work experience includes: manager and assistant to the general manager of the finance department of Bit Technology Co., Ltd. since July 2001; and manager of the finance department of Guohua Renyuan Environment Engineering Co., Ltd. from September 2003 to September 2007. Ms. Dong obtained her bachelor's degree in economics from Shandong Institute of Finance and Economics in July 1995. Ms. Dong was granted the title of senior accountant in February 2007.

Ms. Peng Min (彭敏), aged 51, was appointed as our employee representative Supervisor in November 2013. Ms. Peng joined our Group in July 1999 and held the following positions in Huatai Securities Company Limited, our predecessor: employee of the entrustment asset department and the fixed income department and secretary of the president office since she joined us to November 2006; and deputy director and then the director of the Company's general office, and the chairman of our labor union since November 2006. Before joining our Group, she worked as the secretary, the deputy manager, manager of the Nanjing company and the committee member of the trade union of Jiangsu Metallurgy Material Supply and Marketing Company from July 1987 to July 1999. Ms. Peng obtained her bachelor's degree in arts from Nanjing University in July 1987.

Mr. Zhou Xiang (周翔), aged 51, was appointed as our employee representative Supervisor in March 2013. Mr. Zhou has been our general manager of the inspection department since mid 2012. Mr. Zhou joined our group in September 1993 and held the following positions in Huatai Securities Company Limited, our predecessor: director of the planning and finance department and general manager of the planning and capital department, general manager of the planning and finance department; securities branch general manager; deputy general manager of the asset management head office and director of the leading group office of development, planning and implementation from September 1993 to July 2012. Before joining our Group, Mr. Zhou worked at Nanjing Supply and

Marketing Cooperative from July 1987 to August 1993. Mr. Zhou graduated from Soochow University majoring in corporate finance in July 1984 and obtained his MBA from CEIBS in July 2006.

Mr. Zhang Hui (張輝), aged 40, was appointed as our employee representative Supervisor in November 2013. Mr. Zhang is now the general manager of our general affair department. Mr. Zhang's primary work experience includes: staff member and senior manager of our asset management department, investment planner of the securities investment department and financial innovation department; deputy general manager of our Nantong Yaogang Road Branch, general manager of our Shanghai Ruijin No.1 Road Branch (now known as Shanghai Weihai Road Securities Branch) and deputy general manager of the securities investment department from February 2003 to July 2012. Mr. Zhang obtained a bachelor's degree in literature from Beijing Normal University in June 1997 and acquired his doctoral degree majoring in management from Hohai University (河海大學) in June 2011 after acquiring his master's degree majoring in economics from Shanghai University of Finance and Economics in February 2003.

SENIOR MANAGEMENT

Mr. Zhou Yi (周易), our president. See "Directors—Executive Directors" in this section for his biography.

Mr. Zhang Haibo (張海波), aged 51, was appointed as our vice president and a member of the party committee in December 2007. Mr. Zhang joined our Group in November 1998 and held the following positions in Huatai Securities Company Limited, our predecessor: assistant to the president, general manager of the investment banking department, business director of investment banking (concurrently acting as the general manager of the investment banking management head office) and vice president and a member of the party committee from November 1998 to December 2007. Mr. Zhang has also acted as a director of Huatai Financial Holdings since its establishment and the chairman of Huatai Asset Management since October 2014. Before joining our Group, Mr. Zhang worked as staff member, senior staff member and then principal member and assistant researcher of the Agriculture and Industry Department of Jiangsu provincial party committee from August 1984 to July 1993; and secretary of the deputy division level and investigator of the Agriculture Division of the General Office of Jiangsu Government from July 1993 to the end of 1998. Mr. Zhang graduated from Nanjing Agricultural University majoring in agricultural economics and management in July 1984 and completed the MBA program from Maastricht University in November 1998.

Mr. Ma Zhaoming (馬昭明), aged 51, has served as a member of the party committee since December 2007 and our vice president since June 2013. Mr. Ma joined our Group in September 1992 and held the following positions in Jiangsu Securities Company and Huatai Securities Company Limited, our predecessors: deputy manager of the planning and finance department, division chief of the planning and finance division (concurrently acting as the director of the inspection office), deputy chief accountant (concurrently acting as the division chief of the planning and finance division) and vice president from September 1992 to December 1999; and vice president and a member of the party committee from December 1999 to September 2007. Mr. Ma also served as the chairman of Huatai United from September 2007 to November 2011. Before joining our Group, Mr. Ma was an accountant of No. 898 Factory of the Ministry of Electronics Industry, the deputy section chief and then section chief of the finance section of Ceramics branch from September 1984 to August 1992. Mr. Ma obtained his bachelor's degree in Economics from Hangzhou Institute of Electronic Engineering in July 1984. He was granted the title of senior accountant in September 2000.

Mr. Qi Liang (齊亮), aged 51, was appointed as our vice president and a member of the party committee in December 2007. Mr. Qi joined our Group in December 2000 and held the following positions in Huatai Securities Company Limited, our predecessor: director of Beijing head office from December 2000 to September 2001; and vice president and a member of the party committee from September 2001 to December 2007. Mr. Qi has also served as the chairman of Huatai-PineBridge since November 2004. Before joining our Group, Mr. Qi was the staff member, senior staff member, principal member and then deputy division chief of the State Planning Commission from August 1985 to May 1994; division chief and deputy director general of the Development Research Center of the State Council from May 1994 to June 1998; and leader of the division and deputy bureau level of the Office of the Central Leading Group on Financial and Economic Affairs from June 1998 to December 2000. Mr. Qi obtained his bachelor's degree in Engineering from Tianjin University in July 1985.

Mr. Sun Hanlin (孫含林), aged 49, was appointed as the vice president, secretary of the Commission for Discipline Inspection and a member of the party committee in December 2007. Mr. Sun joined our Group in August 1997 and held the following positions in Jiangsu Securities Company and Huatai Securities Company Limited, our predecessors: deputy division chief and then division chief of the Department of Personnel from August 1997 to December 1999; department chief of the organization department and general manager of the human resources department, chief auditor, the member of the party committee and vice president from December 1999 to December 2007; Before joining our Group, Mr. Sun worked as the staff member of the Division of Personnel and then the deputy section chief of the Leader Section of the Jiangsu Branch of PBOC from August 1990 to August 1997. Mr. Sun finished his education program in Nanjing Agricultural University by correspondence course, majoring in money and banking in July 1998 and EMBA degree from CEIBS in April 2003.

Mr. Wu Zufang (吳祖芳), aged 51, was appointed as the vice president and a member of the party committee in December 2007. Mr. Wu joined our Group in July 1992 and held the following positions in Jiangsu Securities Company and Huatai Securities Company Limited, our predecessors: business director, head of the department of issuance and tradings, deputy general manager and general manager of stock affair department, deputy general manager, general manager and chairman (concurrently acting as general manager) of the subsidiary, assistant to the president, director of asset management business and the general manager of the asset management department, and the chief economist from July 1992 to May 2003; and vice president and a member of the party committee from May 2003 to December 2007. Mr. Wu acted as the director of Huatai Zijing Investment since August 2013. Before joining our Group, Mr. Wu taught at Nanjing University from August 1983 to September 1987. He was staff member of the Policy Research Office of Jiangsu Commission of Planning and Economics from mid 1990 to mid 1992. Mr. Wu obtained his bachelor's degree in applied mathematics from Peking University in July 1983 and obtained his master's degree in economics from Nanjing University in June 1990.

Mr. Zhang Tao (張濤), aged 42, was appointed as our vice president and a member of the party committee in December 2007. Mr. Zhang joined our Group in August 1994 and held the following positions in Jiangsu Securities Company and Huatai Securities Company Limited, our predecessors: secretary of the president and business manager of investment banking No.1 department from August 1994 to December 1999; deputy director of the Fuzhou representative office, deputy general manager of investment banking business department of Shanghai head office, deputy general manager of Shenzhen head office and general manager of Shenzhen Caitian Road branch from December 1999 to January 2005; secretary of the board of directors and assistant to the president (concurrently acting as the office director of the board office) from January 2005 to February 2006; vice president and a member of the party committee from the beginning of 2006 to December 2007. Mr. Zhang has also served as the director of China Southern Asset Management and Huatai Financial Holdings since the second half of 2003 and July 2013 respectively and chairman of Huatai Futures since November 2013. Mr. Zhang acquired his doctoral degree in management science from Hohai University (河海大學) in December 2002 and he obtained a bachelor's degree in economics from Nanjing University in July 1994. Mr. Zhang was granted the title of senior engineer by the Human Resources and Social Security Office of Jiangsu (江蘇省人力資源和社會保障廳) in November 2010.

Mr. Jiang Jian (姜健), aged 48, was appointed as the vice president, secretary of the Board and member of the party committee in December 2007. Mr. Jiang joined our Group in December 1994 and held the following positions in Jiangsu Securities Company and Huatai Securities Company Limited, our predecessors: commissioner of the department of personnel, section chief of the training and education section, deputy general manager of the investment banking department stock affair department, deputy general manager of the investment banking No.1 department and deputy general manager of the investment banking head office (concurrently acting as the general manager of the issuance department), general manager of the asset management head office, general manager of the Nanjing investment banking business department and director of the investment banking business from December 1994 to November 2003; assistant to the president and general manager of Shanghai head office from November 2003 to March 2006; assistant to the president and secretary of the board of directors from March 2006 to September 2007; and vice president, secretary of the board of directors and a member of the party committee from September 2007 to December 2007. Mr. Jiang has been the chairman of Jiangsu Equity Exchange since July 2013 and the director of Huatai United, China Southern Asset Management, Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司), Huatai Zijin Investment and Huatai Ruitong Investment Management Co., Ltd. since August 2006, September 2010, May 2012, August 2013 and December 2013 respectively. Mr. Jiang also served as the director of E-Capital Transfer Co., Ltd. (證通股份有限公司) since its establishment. Before joining our Group, Mr. Jiang taught at Nanjing Agricultural University respectively from August 1988 to August 1990 and from August 1993 to December 1994, respectively. Mr. Jiang obtained his bachelor's degree of agriculture from Nanjing Agricultural University in July 1988 and his master's degree of agriculture from Nanjing Agricultural University in June 1993.

Ms. Shu Ben'e (舒本娥), aged 50, was appointed as our general manager of the planning and finance department in December 2007 and has been the manager of our financial department since March 2012. Ms. Shu joined our Group in May 1998 and held the following positions in Jiangsu Securities Company and Huatai Securities Limited Liability Company, our predecessors: deputy general manager of the planning and capital department from May 1998 to February 2000; deputy general manager and then general manager of the inspection and supervision department from February 2000 to July 2002; and general manager of the planning and finance department from July 2002 to December 2007. Ms. Shu has been the vice chairman of Huatai Futures since the middle of 2006 and the director of Huatai Zijin Investment, Huatai Ruitong Investment Management Co., Ltd. since August 2008 and December 2012 respectively. Ms. Shu acted as the chairman of supervisor of Huatai United since June 2013. Before joining our Group, Ms. Shu worked for Panda Electronics Group Co., Ltd. (熊貓電子集團有限公司) as division chief of finance division from August 1984 to May 1998. Ms. Shu obtained her bachelor's degree in economics from Hangzhou Institute of Electronic Engineering in December 1984.

Ms. Li Yun (李筠), aged 42, served as our chief compliance officer (concurrently acting as the general manager of the compliance and risk management department) from May 2012 to August 2014. Ms. Li was appointed as the chief risk control officer, chief compliance officer, general counsel and general manager of the compliance and risk management department in August 2014. Ms. Li has also acted as the chief compliance officer of Huatai United Securities Co., Ltd. from August 2012 to July 2013 and the compliance principal of Huatai Securities (Shanghai) Asset Management Co., Ltd. since October 2014. Before joining our Group, Ms Li's primary work experience includes: principal member of the Regulatory Bureau of Nanjing Securities and Futures Commission from May 1995 to July 1999; principal member and deputy division chief of the Regulatory Bureau of Nanjing Commissioner Office (南京特派辦機構監管處) under the CSRC (now known as the Regulatory Bureau of CSRC Jiangsu Branch) from July 1999 to June 2005; deputy division chief of the No.2 Division and the investigator of No.1 Division of Shanghai Commissioner Office of the CSRC (中國證監會上海證券監管專員辦) from June 2006 to May 2012. Ms. Li obtained her master's degree in business administration from Fudan University in January 2008. Ms. Li was granted the title of intermediate economist in November 1997.

Except as disclosed above, none of our Directors has any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business.

Save as disclosed above, none of our Directors, Supervisors and senior management held any directorship in any public companies, the shares of which are listed in Hong Kong or overseas stock markets, during the three years prior to the date of this prospectus.

JOINT COMPANY SECRETARIES

Mr. JIANG Jian (姜健) is one of our joint company secretaries and also a member of our senior management. See "Senior Management" in this section for his biography.

Ms. KWONG Yvonne Yin Ping (鄺燕萍), aged 59, is one of the joint company secretaries of our Company and was appointed in March 2015 with her appointment taking effect on the Listing Date.

Ms. Kwong has extensive experience in providing company secretarial and compliance services to numerous private and listed companies. She is a vice president of SW Corporate Services Group Limited, a company focusing on the provision of listing company secretarial and compliance services. She currently serves as the company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange.

Ms. Kwong received a bachelor's degree in accounting from Hong Kong Polytechnic University in November 1997. She has been a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of The Institute of Chartered Secretaries and Administrators since December 2012.

BOARD COMMITTEES

The Board delegates certain responsibilities to various dedicated committees. In accordance with relevant PRC laws, regulations, the Articles and the Hong Kong Listing Rules, we have formed five board committees, namely the Strategy Committee, the Compliance and Risk Management Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee.

Development Strategy Committee

The Strategy Committee of the Company consists of four Directors, namely Mr. Wu Wanshan (吳萬善), Mr. Zhou Yi (周易), Mr. Wang Shuhua (王樹華) and Mr. Shen Kunrong (沈坤榮). Mr. Wu

Wanshan currently serves as the chairman of the committee. The main duties of the Strategy Committee of the Company include (but not limited to):

- understanding the overall perspective of the operation of business of the Company;
- understanding and analyzing the current status of the international and domestic industry;
- knowing and mastering the State's relevant policies;
- analyzing the near-, mid- and long-term development strategies or the relevant matters;
- providing advice and recommendation on the major decisions of the Company, such as long-term development strategies, major investment and reform of the Company;
- reviewing and approving the special study report on the development strategies of the Company;
- issuing day-to-day study report on a regular or irregular basis; and
- other duties authorized by the Board.

Compliance and Risk Management Committee

The Compliance and Risk Management Committee of the Company consists of four Directors, namely Mr. Sun Lu (孫魯), Mr. Cai Biao (蔡標), Mr. Zhou Yong (周勇) and Mr. Ying Wenlu (應文祿). See "Directors—Non-executive directors" in this section on page 243, 244 and 246 of this prospectus to find their experience in compliance and risk management. Mr. Sun Lu currently serves as the chairman of the committee. The main duties of the Compliance and Risk Management Committee of the Company include (but not limited to):

- reviewing and giving opinion on the overall target and basic policy of compliance management and risk management;
- reviewing and giving opinion on the establishment and duties of compliance management and risk management department;
- evaluating and giving opinion on the risk of major decisions to be approved by the Board and solutions to eliminate such major risk;
- reviewing and giving opinion on compliance reports and risk evaluation reports to be approved by the Board;
- other duties stipulated by the Articles of Association.

Audit Committee

The Audit Committee of the Company consists of three Directors, namely Mr. Lee Chi Ming (李志明), Ms. Pu Baoying (浦寶英) and Mr. Liu Hongzhong (劉紅忠). Mr. Lee Chi Ming will serve as the chairman of the committee. The main duties of the Audit Committee of the Company include (but not limited to):

- monitoring the annual audit and making judgment on the truthfulness, accuracy and integrity of the audited information contained in the financial reports before submitting the reports to the Board. The Audit Committee shall monitor the integrity of the Company's financial statements and annual report and accounts, semi-annual report and quarter reports, and review significant financial reporting judgments contained in them;
- proposing the engagement or removal of external auditors, supervising the performance of external auditors and ensuring coordination between internal and external auditors. The

Audit Committee shall ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and shall review and monitor its effectiveness;

- considering and making recommendations on the appointment, reappointment, remuneration and terms of engagement of external auditors or any matters regarding their resignation or dismissal. The Audit Committee shall act as the main representative for overseeing the Company's relationship with external auditors;
- discussing the nature and scope of the audit and reporting obligations with external auditors before the commencement of audit and review of the effectiveness of the audit procedure and the objectivity and independency of external auditors from time to time;
- reviewing the external auditor's management letter, any material queries raised by the auditor to the management about accounting records, financial accounts or monitoring system and the management's response thereto; The Audit Committee shall ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- reviewing the Company's financial controls, risk management and internal control system and the Group's financial and accounting policies and practices;
- reviewing the risk management and internal control system with management to ensure that management has performed its duty so as to have an effective internal control system. The Audit Committee shall review major investigation findings on risk management and internal control matters as well as management's response to these findings as delegated by the Board or on its own initiative;
- reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- other duties stipulated by the Articles of Association and listing rules or the laws and regulations of the place where the Company is listed.

Nomination Committee

The Nomination Committee of the Company consists of three Directors, namely Mr. Bai Wei (白維), Mr. Sun Hongning (孫宏寧) and Ms. Zhang Jie (張捷). Mr. Bai Wei currently serves as the chairman of the committee. The main duties of the Nomination Committee include (but not limited to):

- reviewing the structure, headcount and composition (including skills, knowledge and experience) of the Board at least once each year and making recommendations regarding any proposed changes in the Board in line with the Company's strategies;
- considering and formulating criteria and procedures for selection of Directors and senior management members;
- searching for qualified candidates for Director and senior management, and selecting from the list nominated by Directors or making recommendation to the Board;
- reviewing and making suggestions on the qualification requirements for Director and senior management;
- assessing the independence of independent non-executive Directors;

- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the Chairman and the President); and
- other responsibilities stipulated in the Articles of Association or as required by the Board.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of the Company consists of three Directors, namely Mr. Bai Wei (白維), Mr. Sun Hongning (孫宏寧) and Ms. Zhang Jie (張捷). Mr. Bai Wei currently serves as the chairman of the committee. The main duties of the Remuneration and Appraisal Committee include (but not limited to):

- reviewing and providing opinions on the appraisal and remuneration management system for Directors and senior management, and making recommendations to the Board on the Company's policy and structure for remuneration of all the Directors and senior management, and on the establishment of a formal and transparent procedure to develop remuneration policy;
- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- conducting assessment on and making recommendations to the Directors and senior management: making recommendations on the remuneration packages (including benefits in kind, pensions and compensation payments, including any compensation payable for loss or termination of their appointment) for certain executive Directors and senior management, and making recommendations to the Board on the remuneration of non-executive Directors;
- considering salaries paid by comparable companies, time commitment and responsibilities and engagement condition elsewhere in the Group;
- reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the relevant contractual terms. In case of inconsistency with the relevant contractual terms, the compensation shall be fair and not be excessive;
- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they consistent with the contractual terms. In case of inconsistency with the relevant contractual terms, the compensation, the compensation shall be reasonable and appropriate;
- ensuring that no Director or any of his associates is involved in determining his/her own remuneration; and
- other responsibilities stipulated in the Articles of Association.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management receive compensation in the form of salaries, directors' fees, contribution to pension schemes, discretionary bonuses and other allowances and benefits in kind.

In 2012 and 2013 and 2014, the total remuneration paid to our Directors amounted to RMB8.2 million, RMB9.6 million and RMB9.2 million, respectively.

In 2012 and 2013 and 2014, the total remuneration paid to our Supervisors amounted to RMB2.6 million, RMB3.5 million and RMB5.8 million, respectively.

In 2012 and 2013 and 2014, the total remuneration paid to our senior management amounted to RMB14.8 million, RMB22.0 million and RMB29.0 million, respectively.

In 2012 and 2013 and 2014, the total emoluments paid to the five highest paid individuals (including Directors) by our Group amounted to RMB39.5 million, RMB27.2 million and RMB30.4 million, respectively.

Under the arrangement currently in force, we estimate the total compensation to be paid to our Directors, Supervisors and senior management for the year ending December 31, 2015, the estimated total compensation payable to the Directors (including independent non-executive Directors) and employee Supervisors amounted to approximately RMB10 million (which may be subject to adjustment in accordance with policies of the state) and RMB7 million, respectively.

In 2012 and 2013 and 2014, no fees were paid by our Group to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. Moreover, none of the Directors waived their remuneration during the relevant period.

The remuneration of Directors, Supervisors and senior management is determined with reference to factors including the salaries paid by comparable companies, time commitment and responsibilities of the Directors, Supervisors and senior management, employment conditions of other positions in our Company and desirability of performance-based remuneration.

None of the Directors, Supervisors and senior management holds any interest in the H Shares and A Shares as set in Part XV of the Securities and Futures Ordinance, as of the Latest Practicable Date. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, save as disclosed herein, there was no additional matter with respect to the appointment of the Directors and Supervisors that needs to be brought to the attention of the Shareholders, and there was no additional information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Hong Kong Listing Rules as of the Latest Practicable Date.

EMPLOYEES

As of the Latest Practicable Date, we had a total of 6,458 employees. The remuneration packages of our employees primarily consist of salaries, discretionary bonuses and contributions to mandatory social security funds. As required by the relevant PRC regulations, we participate in various defined pension schemes for our employees, including those organized by provincial or municipal governments as well as supplemental pension schemes. See "Business—Employees" for a description of the mandatory pension plans and social insurance contribution plans we participate in. Bonuses are generally discretionary and based on the overall performance of our business. In 2012, 2013 and 2014, we incurred staff costs of RMB1.87 billion, RMB2.35 billion, and RMB3.88 billion, respectively.

We have not experienced any significant problems with our employees or disruption to our operations due to labor disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff.

COMPLIANCE ADVISER

We have agreed to appoint Investec Capital Asia Limited as the compliance adviser upon listing in compliance with Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules. The material terms of the compliance adviser's agreement are as follows:

(a) Investec Capital Asia Limited shall act as our compliance adviser for the purpose of Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;

(b) the compliance adviser will provide us with certain services, including providing us with proper guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable laws, rules, codes and guidelines;

(c) the compliance adviser will, as soon as reasonably practicable, inform us of any amendment or supplement to the Hong Kong Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws and guidelines; and

(d) the compliance adviser will act as one of the key channels of communication of the Company with the Hong Kong Stock Exchange.

SHARE CAPITAL

Before the Global Offering

As of the Latest Practicable Date, the registered capital of our Company was RMB5,600,000,000, comprising 5,600,000,000 A Shares of nominal value RMB1.00 each, which are all listed on the Shanghai Stock Exchange.

	Number of Shares	% of issued share capital
A Shares	5,600,000,000	100

Upon Completion of the Global Offering

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, the entire share capital of our Company would be as follows:

Description of Shares	Number of Shares	Approximate % of then enlarged issue share capital
A Shares	5,460,000,000	78.00
H Shares converted from A Shares and transferred to NSSF	140,000,000	2.00
H Shares issued pursuant to the Global Offering	1,400,000,000	20.00
Total	**7,000,000,000**	**100.00**

Immediately following completion of the Global Offering and assuming that the Over-allotment Option is fully exercised, the entire share capital of our Company would be as follows:

Description of Shares	Number of Shares	Approximate % of then enlarged issue share capital
A Shares	5,439,000,000	75.44
H Shares converted from A Shares and transferred to NSSF	161,000,000	2.23
H Shares issued pursuant to the Global Offering	1,610,000,000	22.33
Total	**7,210,000,000**	**100.00**

SHARE CLASSES

The H Shares and A Shares in issue upon completion of the Global Offering will be ordinary Shares in our share capital. Upon the launch of the pilot program of Shanghai-Hong Kong Stock Interconnection ("Shanghai-Hong Kong Stock Connect" or "Pilot Program") for establishing mutual stock access between Mainland China and Hong Kong on November 17, 2014, the A Shares of our Company are eligible securities approved to be traded between Hong Kong and overseas investors in a limited amount and pursuant to the rules and regulations as prescribed under the Pilot Program. A Shares can also be subscribed for by, and traded between, legal or natural persons of the PRC, QFIIs or qualified foreign strategic investors and must be traded in Renminbi. The H Shares of our Company will be eligible securities approved to be traded between, legal or natural persons of the PRC in a limited amount and pursuant to the rules and regulations as prescribed under the Pilot Program.

H Shares can also be subscribed for by, or traded by QDIIs. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of A Shares are to be paid by us in Renminbi.

In addition, A Shares and H Shares are regarded as different classes of Shares under our Articles of Association. The differences between the two classes of Shares, provisions on class rights, dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different branches of the register of Shareholders, the method of Share transfer and appointment of dividend receiving agents are set out in our Articles of Association and summarized in "Appendix VI—Summary of Articles of Association" to this prospectus. Further, any change or abrogation of the rights of class Shareholders should be approved by way of a special resolution of the general meeting of Shareholders and by a separate meeting of Shareholders convened by the affected class of Shareholders. See "Appendix VI—Summary of Articles of Association" for the circumstances under which general meeting and class meeting are required. However, the procedures for approval by separate class Shareholders shall not apply:

(i) upon the approval by a special resolution of the general meeting, either separately or concurrently once every 12 months, not more than 20% of each of its existing issued A Shares and H Shares;

(ii) where the plan of the Company to issue A Shares and H Shares at the time of its establishment is carried out within 15 months from the date of approval of the securities regulatory authority under the State Council; or

(iii) where the transfer of the A Shares held by the A Shareholders of the Company to foreign investors and the listing on overseas stock exchange are approved by the securities regulatory institution under the State Council. See "—Conversion of A Shares into H Shares for Listing and Trading on the Hong Kong Stock Exchange" for more details.

A Shares and H Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made.

A Shares and H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and H Shares may be different after the Global Offering.

TRANSFER OF STATE-OWNED SHARES TO NSSF

In accordance with the relevant PRC rules regarding the transfer of state-owned shares in overseas capital markets, 21 state-owned Shareholders of our Company are required to transfer to NSSF such number of A Shares in aggregate equivalent to 10% of the total number of Offer Shares. Accordingly, 140,000,000 A Shares before the exercise of the Over-allotment Option or 161,000,000 A Shares after the full exercise of the Over-allotment Option will be transferred by these 21 state-owned Shareholders (among which Jiangsu Guoxin, Jiangsu Communications Holdings Co., Ltd. and Govtor Capital Group Co., Ltd. are the top three transferring Shareholders) to NSSF and converted into H Shares.

The A Shares as described above will be converted into H Shares on a one-for-one basis and such H Shares converted will not constitute part of the Offer Shares. Neither our Company nor any of these 21 state-owned Shareholders will receive any proceeds from the transfer of H Shares to NSSF or any subsequent disposal of such H Shares by NSSF. Jiangsu Guoxin, on behalf of these 21 Shareholders, has submitted an application to the SASAC and issued undertaking letters regarding the transfer of the state-owned Shares. Such conversion and holding of H Shares by NSSF in relation to the Global Offering has been approved by the CSRC on April 21, 2015.

CONVERSION OF A SHARES INTO H SHARES FOR LISTING AND TRADING ON THE HONG KONG STOCK EXCHANGE

If any holder of our A Shares wishes to transfer its A Shares to overseas investors for listing and trading on the Hong Kong Stock Exchange as H Shares, it must obtain the approval of the relevant PRC regulatory authorities, including the CSRC for the conversion of the A Shares and the approval of the Hong Kong Stock Exchange for the listing and trading of the converted H Shares, as well as in compliance with the relevant methodology and procedures. To the Company's best knowledge, such conversion may involve the following steps:

(i) the holder of A Shares is to obtain the requisite approval of the CSRC or the authorized securities approval authorities of the PRC State Council for the conversion of all or part of its A Shares into H Shares;

(ii) we may apply for the listing of all or any portion of our A Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion and we must obtain prior approval from the Hong Kong Stock Exchange before the converted H Shares can be listed and traded on the Hong Kong Stock Exchange;

(iii) the holder of A Shares is to issue to us a removal request to remove a specified number of A Shares from the A Share register, accompanied with the relevant document(s) of title;

(iv) subject to obtaining the approval of the Board and the Hong Kong Stock Exchange, we would then issue a notice to the H Share Registrar with instructions that, with effect from a specified date, our H Share Registrar is to issue to relevant holder H Share certificate(s) for such specified number of H Shares;

(v) such specified number of A Shares to be converted into H Shares are then re-registered on the H Share register maintained in Hong Kong on the condition that:

   (a) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificate(s); and

   (b) the admission of the H Shares (converted from A Shares) to trade in Hong Kong will comply with the Hong Kong Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time;

(vi) upon completion of the conversion, the shareholding of the relevant holder of A Shares in our A Share capital and registered on our A Share register will be reduced by such number of A Shares converted and the number of H Shares will correspondingly be increased by the same number of H Shares; and

(vii) we will comply with the Hong Kong Listing Rules to inform our Shareholders and the public by way of an announcement of such fact before the proposed effective date.

Approvals from holders of A Shares and H Shares as separate classes are not required for the listing and trading of the converted H Shares. As of the Latest Practicable Date, the Directors were not aware of any intention of any holder of A Shares to convert all or part of its A Shares into H Shares.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE GLOBAL OFFERING

Approval from holders of A Shares is required for our Company to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at the Shareholders' general meeting of our Company held on December 11, 2014 and is subject to the following conditions:

(1) Size of the offer

The proposed number of H Shares to be offered shall not exceed 20% of the total enlarged issued share capital after the issue of H Shares assuming the Over-allotment Option is not exercised and the Over-allotment Option shall not exceed 15% of the H Shares initially available under the Global Offering if fully exercised.

(2) Method of offering

The method of offering shall be by way of international offering to institutional investors and public offer for subscription in Hong Kong.

(3) Target investors

The H Shares shall be issued to overseas professional institutions, enterprises, individual investors and other eligible investors.

(4) Price determination basis

The issue price of the H Shares will be determined, among others, after due consideration of the interests of existing Shareholders of our Company, acceptance of investors and the risks related to the offering, according to international practice, through the demands for orders and bookbuilding process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(5) Validity period

The issue of H Shares and listing of H Shares on the Hong Kong Stock Exchange shall be completed within 18 months from the date when the Shareholders' meeting was held on December 11, 2014.

There is no other approved offering plans for any other shares except the Global Offering.

As of the Latest Practicable Date, the following persons directly or indirectly control, or are entitled to exercise the control of, 5% or more of our A Shares:

Shareholders	Nature of Interest	Class	Number of Shares directly or indirectly held	Approximate percentage of shareholding (%)
Jiangsu Guoxin Investment Group Limited (江蘇省國信資產管理集團有限公司)	Beneficial owner	A Shares	1,317,708,731	23.53%
Jiangsu Communications Holding Company Limited (江蘇交通控股有限公司)	Beneficial owner	A Shares	420,327,370	7.51%
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Beneficial owner	A Shares	283,683,990	5.07%
	Interest held by a controlled corporation(1)	A Shares	102,920,000	1.84%
		A Shares	386,603,990	6.91%
Govtor Capital Group Co., Ltd. (江蘇高科技投資集團有限公司)	Beneficial owner	A Shares	360,000,000	6.43%

(1) Jiangsu SOHO Holdings Group Co., Ltd. directly holds 71.58% of the equity interest of Jiangsu SOHO International Group Corporation (江蘇蘇豪國際集團股份有限公司), and therefore is deemed to be interested in the same number of A Shares in which Jiangsu SOHO International Group Corporation is interested under the SFO.

Immediately following the completion of the Global Offering (and assuming the Over-allotment Option is not exercised), our share capital comprised of 5,460,000,000 A Shares and 1,540,000,000 H Shares (including H Shares converted from A Shares and transferred to NSSF), representing 78.0% and 22.0% of the total share capital of our Company, respectively. The following sets out the shareholding of the abovementioned shareholders, immediately following the completion of the Global Offering, assuming no exercise of the Over-allotment Option:

Shareholders	Nature of Interest	Class	Number of Shares directly or indirectly held	Approximate percentage of shareholding (%)
Jiangsu Guoxin Investment Group Limited (江蘇省國信資產管理集團有限公司)	Beneficial owner	A Shares	1,248,910,139	17.84%
Jiangsu Communications Holding Company Limited (江蘇交通控股有限公司)	Beneficial owner	A Shares	395,855,508	5.66%
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Beneficial owner	A Shares	268,656,632	3.84%
	Interest held by a controlled corporation(1)	A Shares	97,420,998	1.39%
		A Shares	366,077,630	5.23%
Govtor Capital Group Co., Ltd. (江蘇高科技投資集團有限公司)	Beneficial owner	A Shares	341,484,843	4.88%

(1) Jiangsu SOHO Holdings Group Co., Ltd. directly holds 71.58% of the equity interest of Jiangsu SOHO International Group Corporation (江蘇蘇豪國際集團股份有限公司), and therefore is deemed to be interested in the same number of A Shares in which Jiangsu SOHO International Group Corporation is interested under the SFO.
(2) Reduction of state-owned shares through each of the 21 state-owned Shareholders of our Company. See "Share Capital—Transfer of State-owned Shares to NSSF" for further details.

As of the Latest Practicable Date, we are not aware of any arrangement which may on a subsequent date result in a change of control of our Company.

For details of the substantial shareholders who, immediately following the completion of the Global Offering will have interests or short positions in our Shares which are required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the value of any class of Shares carrying rights to vote in all circumstances at general meetings of any member of our Group, see "Appendix VII—Statutory and General Information—4. Disclosure of Interests—B. Disclosure of Interests of Substantial Shareholders".

The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in "Appendix I—Accountants' Report," together with the accompanying notes included elsewhere in this prospectus. Our consolidated financial statements included in the Accountants' Report have been prepared in accordance with IFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this prospectus.

OVERVIEW

Through our industry-leading e-Platform and our strategically-located branch network, we primarily provide the following financial services to individual, institutional and corporate clients:

- *Brokerage and Wealth Management*: We engage in trading of stocks, funds, bonds and futures on behalf of our clients and earn fee and commission income. We also engage in capital-based intermediary businesses (including margin financing and securities lending, securities-backed lending and stock repurchase) and earn interest income. In addition, we also sell financial products to our clients for a fee.
- *Investment Banking*: We provide investment banking services, including financial advisory, equity and debt underwriting and OTC businesses. In return, we principally earn advisory fee and underwriting and sponsorship fees.
- *Asset Management*: We provide securities-firm asset management services, including collective asset management schemes, targeted asset management schemes and specialized asset management schemes, and earn management and performance fees. We also manage private equity funds and earn investment income and management fees.
- *Investment and Trading:* We engage in the trading of equity securities, fixed-income securities, derivatives and other financial products for our own account for the objective of achieving investment income. We also develop and offer OTC financial products and trade with counterparties over the counter.
- *Overseas Business:* We principally engage in investment banking, sales and trading and asset management through Huatai Financial Holdings in Hong Kong. In return, we principally earn brokerage commission, underwriting and sponsorship fees, advisory fees, interest income and asset management fees from our overseas business.

We have experienced stable growth of income and profit during the Track Record Period and improved revenue mix. Our total revenue and other income increased from RMB7,011.3 million in 2012 to RMB15,978.5 million in 2014. Our profit for the year increased from RMB1,663.3 million in 2012 to RMB4,539.8 million in 2014, and our net margin increased from 23.7% in 2012 to 28.4% in 2014. Interest income from our capital-based intermediary businesses (including margin financing and securities lending, securities-backed lending and stock repurchase) accounted for 27.6% of our segment revenue and other income from the brokerage and wealth management business in 2014, increased from 8.7% in 2012. Segment revenue and other income from asset management business accounted for 8.6% of our total revenue and other income in 2014, increased from 1.7% in 2012.

The rapid increase of our revenue and profit during the Track Record Period was contributed primarily by the following:

- In our brokerage and wealth management business, segment revenue and other income increased from RMB4,614.9 million in 2012 to RMB6,883.3 million in 2013 and further to RMB10,322.7 million in 2014; and segment profit before income tax increased from RMB1,443.8 million in 2012 to RMB3,316.6 million in 2013 and further to RMB4,546.3 million in 2014, which was mainly attributable to (i) our ability to proactively reduce our brokerage commission rates and expand our customer base and market share rapidly amid the trend of declining brokerage commission rates across the industry; and (ii) the significant increase in the balance of our margin loans and securities lent as a result of favorable market conditions and the increasing customer penetration of our capital-based intermediary products;

- In our investment banking business, segment revenue and other income decreased from RMB1,152.1 million in 2012 to RMB896.7 million in 2013 but increased to RMB1,431.4 million in 2014; and segment profit before income tax increased from RMB283.4 million in 2012 to RMB301.5 million in 2013 and further to RMB450.8 million in 2014, which was mainly attributable to the substantial increase in the number and transaction value of our CSRC-approved M&A advisory transactions due to our long-term commitment to M&A advisory business and our top M&A advisory capability in the PRC as well as the increasing number of industry consolidations;

- In our asset management business, segment revenue and other income increased from RMB122.6 million in 2012 to RMB387.1 million in 2013 and further to RMB1,376.2 million in 2014; and segment profit before income tax increased from RMB55.2 million in 2012 to RMB274.8 million in 2013 and further to RMB1,071.6 million in 2014, which was mainly attributable to the significant growth of our AUM and our improved product innovation and active management capabilities; and

- In our investment and trading business, segment revenue and other income decreased from RMB735.9 million in 2012 to RMB545.9 million in 2013 but increased significantly to RMB2,421.4 million in 2014; and segment profit before income tax decreased from RMB294.3 million in 2012 to a loss of RMB94.5 million in 2013 but improved significantly to RMB1,364.5 million in 2014, which was mainly due to the fluctuations of PRC securities market.

BASIS OF PRESENTATION

Our financial statements have been prepared in accordance with IFRSs and include applicable disclosure requirements of the Hong Kong Listing Rules and the Hong Kong Companies Ordinance. We prepared our financial statements on the historical cost basis except for certain financial instruments that are measured at their fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Our financial statements are presented in Renminbi, which is our functional currency.

The financial information incorporates our financial statements and financial statements of entities that we controlled (our subsidiaries). Control is achieved where we have the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by our other members. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are presented separately from our equity therein.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following factors are the principal factors that have affected and, we expect, will continue to affect our business, financial condition, results of operations and prospects.

Economic and Market Conditions

Our financial performance is highly dependent on the business environment in which our business operates. A favorable business environment is generally characterized by, among other factors, high GDP growth, liquid and efficient capital markets, reasonable inflation, high investor confidence, stable geopolitical conditions and strong business earnings.

For example, the A share stock market in China experienced a surge and historical record in trading volume in the fourth quarter of 2014. According to Wind Info, the trading volume of the A share stock market in the fourth quarter of 2014 was RMB33.6 trillion, representing 44.2% of the aggregate trading volume of the A share market for 2014. Accordingly, both of our securities brokerage trading volume and fee and commission income from securities brokerage significantly increased during the fourth quarter of 2014, particularly December 2014. However, we cannot assure you that such business performance and favorable economic and market conditions will be sustained. Unfavorable or uncertain economic and market conditions can be characterized by:

- declines in economic growth, business activities or investor confidence;
- decrease in the availability of or increases in the cost of credit and capital;
- significant increases in inflation, interest rates, exchange rate volatility, or commodity prices;
- outbreaks of hostilities or other geopolitical instability; and
- natural disasters or pandemics, or a combination of these or other factors.

Our businesses and profitability may become adversely affected by market conditions in many ways. Unfavorable economic and market conditions can adversely affect investor sentiment and trading and investment activities, resulting in reduced brokerage commission and fee income. Unfavorable economic conditions and other adverse geopolitical conditions may negatively impact investor confidence and corporate finance activities, resulting in significant declines in the size and number of M&A and fund raising transactions, which could have an adverse effect on the revenue and profitability of our investment banking business. In addition, market volatility and adverse economic conditions may reduce our AUM, affect the performance of the assets or funds we manage, which could adversely affect our ability to receive management fees or performance fees. We have net long trading positions in equity securities, fixed-income securities and derivatives as part of our investment and trading business. As a substantial portion of these investing and trading positions is marked-to-market, declines in fair values directly impact our profit and capital position, unless we have effectively hedged our exposures to such declines. However, it may not be possible or economical for us to entirely hedge such exposures. Sudden declines and significant volatility in the securities prices may substantially curtail the trading markets.

Competition

The PRC securities industry is highly competitive and we face intense competition in all aspects of our business. We compete principally with other full-service securities firms in China, some of which offer a broader range of services and have greater financial resources or customer base. In addition, we face increasing competition from other financial institutions, such as commercial banks, fund management companies, and other financial services providers offering financial services. We believe that the principal factors affecting competition involve price, products and services, transaction execution, experience and knowledge of our staff and geographic scope. For example, in 2012, 2013 and 2014, our securities brokerage trading volume commanded 5.5%, 6.1% and 7.9% of the total market share. However, we cannot assure you that we will continue to maintain or increase our market share. Increased competition or an adverse change in our competitive position could lead to a reduction of market share and therefore a reduction of revenue and profit. Competition can also raise our costs of hiring and retaining the employees we need to effectively operate our business.

In addition, with regulatory changes and other factors that contribute to the gradual deregulation of the PRC securities industry, more competitors are seeking to enter or expand in the market which will result in increased competition.

Regulatory Environment

Our results of operations, financial condition and prospects are subject to regulatory developments in the PRC and economic measures undertaken by the PRC government. In particular, we believe that our ability to expand our business and broaden the scope of our product and service offerings has been, and will continue to be materially affected by changes in the policies, laws and regulations governing the PRC securities industry, including the extent to which we can engage in certain businesses or adopt certain business models and fee structures.

The regulatory regime of the PRC securities industry has been evolving and the CSRC and other regulatory authorities are committed to reforming the PRC securities industry in a view towards improving capital market activities and efficiency and broadening the scope of new products and services that securities firms can offer. For example, the CSRC relaxed its approval procedures and requirements in relation to M&A and major corporate reorganization of listed companies in China. In addition, from 2008 to 2014, the CSRC launched several pilot programs, including direct investment, stock index futures, margin financing and securities lending, securities-backed lending, Shanghai-Hong Kong Stock Connect, market-making and NEEQ services to expand the products and services that securities firms can offer. The CSRC has been encouraging securities firms to diversify their product and service offerings and issued specific guidelines on product and service innovation for securities firms.

In addition, the PRC government has also taken various measures to improve the capital efficiency and diversify the funding sources of PRC securities firms, including lowering the risk-weighted capital reserve requirements for qualified securities firms, and allowing PRC securities firms to issue subordinated bonds to a broader range of investors, such as their shareholders and institutional investors and to issue structured products, such as structured notes. We expect these regulatory reforms and governmental actions to continue to affect the PRC securities industry and our business, financial condition and results of operations.

Operating Costs

Our securities brokerage and wealth management business accounted for a substantial portion of our revenue and other income and therefore the changes in operating costs of such business line affect our profit margin. Since 2013, we have endeavored to minimize our operating costs by offering most of our standardized products and services online, streamlining the back-office functions of our securities branches across China, and building low-cost "light-touch branches" that hire a smaller number of staff and occupy less space. In 2012, 2013 and 2014, segment expenses of our securities brokerage and wealth management business were RMB3,171.1 million, RMB3,566.7 million and RMB5,776.4 million, respectively, representing 68.7%, 51.8% and 56.0% of this business's segment revenue and other income, respectively. While the segment revenue and other income from our brokerage and wealth management business grew at a CAGR of 49.6% during the Track Record Period, the operating cost of this segment grew at a CAGR of 35.0% during the same period. We intend to continue to optimize our cost structure to enhance profitability.

Pricing

The pricing of our products and services has been a principal factor affecting our business, financial condition and results of operations. In the PRC securities market, the pricing of our products and services, particularly in our securities brokerage business, has been largely driven by market competition.

Our brokerage commission and fee accounted for a large portion of our revenue and other income and was influenced by commission rates and trading volume. In 2012, 2013 and 2014, our average brokerage commission rate was 8.6bps, 7.4bps and 4.8bps, respectively. Faced with intensified price competition in the securities brokerage business in China and the resulting industry trend of decreasing commission rates, we have proactively lowered the basic brokerage commission rate at certain securities branches to 3bps in 2013 to remain competitive in the marketplace. We will continue to monitor the pricing of our products and services in relation to our competitors and adjust commission rates and other fee structures to enhance our competitive position while maintaining our profitability.

Interest Rates

Our business and results of operations are also affected by changes in interest rates in China. The changes in interest rates affect the value of our financial assets. An increase in interest rates could cause a decline in the fair value of fixed-income securities we invest in and adversely affect our average investment yield. A rise in interest rates could lower the ability or willingness of our corporate clients to raise funds from the debt markets, which could lower the revenue generated by our debt underwriting business. An increase in interest rates would increase the amount of interest income we would earn on interest-earning assets and the amount of interest expenses we need to pay on interest-bearing liabilities. Our interest earning assets consist primarily of margin loans we provide in our capital-based intermediary businesses, bank deposits, clearing settlement funds and financial assets held under resale agreements. We make interest payments on deposits we hold on behalf of our customers, our corporate bonds, subordinated bonds, short-term commercial papers and financial assets sold under repurchase agreements. These interest expenses are directly linked to the prevailing market interest rates. During periods of rising interest rates, our interest expenses and financing costs would generally increase. If the increase in the amount of interest expenses we need to pay is higher than the increase in the amount of interest income we earn, our business and results of operations may be adversely affected.

Business Lines and Product Mix

Our business lines and products and services have different profit margins and future growth prospects, and as a result, any material changes in our product mix, whether due to changes in our growth strategies, market conditions, customer demand or other reasons, may affect our financial condition and results of operations. Our historical financial results were significantly affected by the revenue contribution and profit margin of our securities brokerage business. As our products and services become more diverse, we seek to optimize our product mix by increasing the revenue contribution from our other business lines with relatively higher profit margin and significant growth potential, such as capital-based intermediary businesses and asset management. In 2012, 2013 and 2014, income from the securities brokerage business accounted for 54.0%, 56.6% and 44.5% of our total revenue and other income, respectively, while our interest income from our capital-based intermediary businesses accounted for 5.7%, 15.3% and 17.9% of our total revenue and other income, respectively, and the segment revenue and other income from our asset management business accounted for 1.7%, 4.3% and 8.6% of our total revenue and other income, respectively.

As we also seek to diversify our revenue sources by broadening our product and service offerings, our future results of operations and financial condition could be significantly affected by our ability to design, develop and bring new products to market, to transact business with new clients and counterparties, to manage new asset classes and to engage in new markets.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies and estimate significant to the preparation of our financial statements in accordance with IFRSs. The Accountants' Report in Appendix I to this prospectus sets forth these significant accounting policies in note 3 of Section II, which are important for an understanding of our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in note 3 of Section II of the Accountants' Report in Appendix I to this prospectus. In the application of our accounting policies, our management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis.

Our management has identified below the accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements.

Significant Accounting Policies

Financial instruments

Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognized in the statements of financial position when we become a party to the contractual provisions of a financial instrument.

We classify financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, relevant transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, relevant transaction costs are included in their initial costs.

Financial assets and financial liabilities are categorized as follows:

Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

A financial asset or financial liability is classified at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition when:

- the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;
- the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or
- the separation of the embedded derivatives from the financial instrument is prohibited.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transactions costs that may occur on sale, and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus relevant transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that we have the positive intention and ability to hold to maturity, other than

- those that we, upon initial recognition, designated as at fair value through profit or loss or as available-for-sale; or
- those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortized cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent us from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after we have collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond our control that could not have been reasonably anticipated.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when we become entitled to the dividend. Foreign exchange gains or losses on available-for-sale financial assets are recognized in profit or loss. Impairment losses are recognized in profit or loss.

Other fair value changes, other than impairment losses, are recognized in other comprehensive income and presented in the fair value reserve within equity. When the investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the Track Record Period. Where other pricing models are used, inputs are based on market data at the end of the Track Record Period.

In estimating the fair value of a financial asset and financial liability, we consider all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

We obtain market data from the same market where the financial instrument was originated or purchased.

Impairment of financial assets

We review carrying amounts of financial assets other than those at fair value through profit or loss at the end of the Track Record Period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment losses are provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial assets and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes, but not limited to:

- significant financial difficulty of the borrower or issuer;
- a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- disappearance of an active market for financial assets because of financial difficulties of the issuer;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loans and receivables

We assess impairment losses on a collective basis. Loans and receivables are grouped for similar aging characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

Held-to-maturity investments

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayment and amortization and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

For the available-for-sale equity investment, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is “significant” or “prolonged” requires judgment. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. A significant or prolonged decline in the fair value of an equity investment is an indicator of impairment in such investments where a decline in the fair value of equity investment below its initial cost by 50% or more; or fair value below cost for one year or longer, upon which impairment loss is recognized.

If, in a subsequent period, the fair value of an impaired available-for-sale debt investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognized in other comprehensive income.

For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognized in profit or loss. Any impairment loss in respect of available-for-sale equity investments carried at cost should not be reversed.

Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognized when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire; or
- we transfer substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If we neither transfer nor retain substantially all the risks and rewards of ownership of the financial asset, but retain control, we continue to recognize the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognized only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between us and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when we have a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by realizing the asset and settling the liability simultaneously.

Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all of our liabilities. Considerations received from issuance of equity instruments net of transaction costs are recognized in equity. Considerations and transaction costs we paid for repurchasing its own equity instruments are deducted from equity.

Derivative financial instruments

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designed as hedge instrument are recognized in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

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

Derivative embedded in non-derivative host contracts are treated as separate derivative when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in profit or loss.

Margin financing and securities lending

Margin financing and securities lending refer to the lending of funds by us to customers for purchase of securities, or lending of securities by us to customers for securities selling, for which the customers provide us with collateral.

We recognize margin financing receivables as loans and receivables, and recognize interest income using effective interest rate method. Securities lent are not derecognized when the risk and rewards are not transferred, and interest income is recognized using effective interest rate method.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

Financial assets held under resale and sold under repurchase agreements

Financial assets held under resale agreements are transactions where we acquire financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where we sell financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognized as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognized in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortized over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Revenue is recognized when it is probable that the economic benefits will flow to us and when revenue can be measured reliably, on the following basis:

Commission income from brokerage business

Brokerage commission income is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognized when the related services are rendered.

Underwriting and sponsor fees

Underwriting and sponsor fees are recognized when the obligation of underwriting or sponsoring is completed, that is, the economic interests may flow into us and the relevant revenue and costs may be calculated reliably.

Advisory fees

Revenue arising from advisory services is recognized on completion of such services.

Asset management fees

Asset management fees are recognized when we are entitled to receive the income under the asset management agreement.

Interest income

Interest income is recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

Dividend income

Dividend income is recognized when the right to receive income is established. Usually this is the ex-dividend date for equity investments.

Other income

Other income is recognized on an accrual basis.

Significant accounting estimates and judgments

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether we, as an investor, control the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. We reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For asset management schemes where we act as the manager, we assess whether the combination of investments we hold, if any, together with our remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance indicating that we are a principal. The asset management scheme shall be consolidated if we act in the role of principal.

Impairment of available-for-sale financial assets and held-to-maturity investments

In determining whether there is any objective evidence that impairment has occurred on available-for-sale financial assets and held-to-maturity investments, we assess periodically whether there has been a significant or prolonged decline in the fair value of the investments below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry outlook, technological changes as well as operating and financing cash flows. This requires a significant level of management judgment which would affect the amount of impairment losses.

Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis and option pricing models. We have established a work flow to ensure that the valuation techniques are constructed by qualified personnel and are validated and reviewed by independent personnel. Valuation techniques are certified and calibrated before implementation to ensure the valuation result reflects the actual market conditions. Valuation models that we established make maximum use of market input and rely as little as possible on our specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. We review the above estimations and assumptions periodically and makes adjustment if necessary.

Classification of financial asset and liability

Our accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", we have determined that it meets the definition of trading assets and liabilities set out in our accounting policies.

- In designating financial assets or liabilities at fair value through profit or loss, we have determined that it has met one of the criteria for this designation set out in our accounting policies.
- In classifying financial assets as held-to-maturity, we have determined that it has both the positive intent and ability to hold the assets until their maturity date as required by accounting policy set out in our accounting policies. In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgments. Failure in correctly assessing our intent and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. We carefully evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Depreciation and amortization

Property and equipment, investment property, intangible assets, leasehold improvements and long-term deferred expenses are depreciated and amortized using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortization costs charged in each of 2012, 2013 and 2014. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortization, the amount of depreciation or amortization will be revised.

PRINCIPAL COMPONENTS OF CONSOLIDATED INCOME STATEMENTS

Revenue and other income

Our revenue and other income primarily consists of fee and commission income, interest income and net investment gains.

Fee and commission income

Our fee and commission income mainly consists of the income sources from the following activities:

(i) securities brokerage and advisory;

(ii) futures brokerage;

(iii) underwriting and sponsorship;

(iv) financial advisory; and

(v) asset management.

We generate fee and commission income on securities brokerage and advisory by trading equities, bonds and funds on behalf of our clients, selling financial products and providing investment advisory and market information to our brokerage clients. We also generate fee and commission income in our futures brokerage business by trading futures on behalf of our clients.

We generate underwriting and sponsorship fees and financial advisory fees in our investment banking business by providing equity and debt underwriting as well as financial advisory services.

We also generate asset management fees, including performance fees, in our asset management business by managing our customers' assets and investment portfolios.

Interest income

Our interest income mainly includes (i) interest income from financial institutions, (ii) interest income from margin financing and securities lending, (iii) interest income from securities-backed lending and stock repurchases, (iv) interest income from other financial assets held under resale agreements, and (v) others.

We receive interest income from banks for cash balance held on behalf of brokerage clients as well as our own cash balance. We generate interest income primarily in our capital-based intermediary businesses, including margin financing and securities lending, securities-backed lending and stock repurchases. Our interest income from margin financing and securities lending includes interest income from our Company's margin financing and securities lending business and from Huatai Financial Holdings' margin financing services, excluding interest income from certain collective asset management schemes managed by us under consolidated structure entities and paid to holders of these schemes.

In order to manage our liquidity, we enter into short-term resale agreements with counterparties (such as banks and other financial institutions), under which we are entitled to receive interest income by purchasing financial assets (such as bonds and notes) from the counterparty and agreeing to resell such assets back to the counterparty at a predetermined price on the maturity date of the resale agreement.

Our interest income from others primarily refers to the income we earned from cash and bank balances managed by us under consolidated structured entities.

Net investment gains

Our net investment gains include (i) gains or losses from our financial assets at fair value through profit or loss, (ii) gains or losses from our available-for-sale financial assets, and (iii) gains or losses from derivatives.

Our financial assets at fair value through profit or loss refer to the following categories of assets:

- stocks and funds held for trading in our equity trading business and managed by us under consolidated structure entities; and
- fixed-income securities held for trading in our fixed-income trading business and managed by us under consolidated structured entities.

Our net investment gains from financial assets at fair value through profit or loss mainly consist of (i) net realized gains or losses from disposal of these financial assets, (ii) changes in fair value of these financial assets, and (iii) dividends and interest income from these financial assets.

Our available-for-sale financial assets refer to the following categories of assets:

- our equity investments in unlisted companies, such as our minority investment in Bank of Jiangsu;
- our investments in third-party financial products for investment and treasury management purposes; and
- equity and fixed-income securities as well as funds designated as available-for-sale in our investment and trading business.

Our net investment gains from available-for-sale financial assets mainly consist of (i) net realized gains or losses from disposal of these assets; and (ii) dividends and interest income from these financial assets.

Our net investment gains from derivatives, primarily stock index futures, treasury bond futures, equity return swaps and interest rate swaps, consist of (i) net realized gains from disposal of these financial instruments; and (ii) changes in fair value of these financial instruments.

Other income and gains

Our other income and gains primarily include rental income, other income not in our principal lines of business and certain non-recurring income, such as government grants. We receive rental income primarily from our office buildings in Nanjing and Shanghai. We receive government grants which primarily include local government subsidies intended to support our new branch opening and the purchase of local office properties.

Total expenses

Our total expenses primarily include (i) staff costs, (ii) fee and commission expenses, (iii) interest expenses, (iv) depreciation and amortization expenses, (v) business tax and surcharges and (vi) other operating expenses.

Staff costs

Our staff costs primarily include salaries, bonuses and allowances, contribution to pension schemes and other welfare benefits paid to our employees including our management and directors.

Fee and commission expenses

Our fee and commission expenses primarily include expenses for the following activities:

- securities brokerage, primarily securities dealing expenses charged by the stock exchanges and other authorized institutions for using their transaction and settlement systems as well as commissions paid to our securities brokerage agents;
- futures brokerage, primarily relating to Huatai Financial Holdings's futures brokerage business in Hong Kong; and
- underwriting and sponsorship, primarily commission expenses paid to other financial institutions for distributing the securities we underwrote, legal fees and consulting fees.

Interest expenses

Our interest expenses primarily include (i) interest expenses of accounts payable to brokerage clients, (ii) interest expenses on repurchase transactions, (iii) interest expenses on our short-term debt instruments and long-term bonds; and (iv) interest expenses on our placements from banks and China Securities Finance.

While we earn interest income on deposits we hold on behalf of our customers, we also pay interest expenses on such deposits to our customers with reference to prevailing benchmark interest rates announced by the PBOC.

In order to manage our liquidity, we enter into short-term repurchase agreements with counterparties (such as banks and other financial institutions), under which we incur interest expenses by selling our financial assets (such as bonds, notes and margin loans receivable) to the counterparty and agreeing to repurchase such assets at a predetermined price on the maturity date of the repurchase agreement.

Depreciation and amortization expenses

Our depreciation and amortization relates primarily to depreciation of our property and equipment and amortization of our long-term deferred expenses and other intangible assets.

Other operating expenses

Our other operating expenses include, among others, rental expenses, postal and communication expenses and business development expenses.

In 2014, we also recognized the costs of commodity sales as part of the futures basis trading conducted by two newly-incorporated trading subsidiaries of Huatai Futures.

Income tax expense

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. During the Track Record Period, all of our PRC subsidiaries were subject to an EIT rate of 25.0% in accordance with the EIT law that became effective on January 1, 2008. Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits during the Track Record Period. Our effective income tax rate was 21.8%, 22.8% and 23.2% for 2012, 2013 and 2014, respectively. As certain of our dividend income from treasury bonds and funds was not taxable and our share of profits of associates was after-tax income, our effective tax rate was below the statutory EIT rate of 25.0% during the Track Record Period. As of the Latest Practicable Date and during the Track Record Period, we fulfilled all our tax obligations and did not have any unresolved tax disputes.

RESULTS OF OPERATIONS

The following table summarizes our results of operations for the years indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Revenue			
Fee and commission income	4,379.5	5,627.3	8,127.3
Interest income	1,584.3	2,516.2	4,850.8
Net investment gains	918.3	780.8	2,678.8
Total revenue	**6,882.1**	**8,924.3**	**15,656.9**
Other income and gains	129.2	76.0	321.6
Total revenue and other income	**7,011.3**	**9,000.3**	**15,978.5**
Fee and commission expenses	869.1	981.4	1,650.1
Interest expenses	416.7	1,013.2	2,466.0
Staff costs	1,872.2	2,348.1	3,875.1
Depreciation and amortization expenses	343.7	338.1	312.3
Business tax and surcharges	300.4	429.4	660.1
Other operating expenses	1,295.7	1,185.6	1,367.4
(Reversal of)/provision for impairment losses	(3.6)	(24.1)	17.7
Total expenses	**5,094.2**	**6,271.7**	**10,348.7**
Operating profit	**1,917.1**	**2,728.6**	**5,629.8**
Share of profit of associates	208.7	219.2	285.0
Profit before income tax	**2,125.8**	**2,947.8**	**5,914.8**
Income tax expense	462.5	671.0	1,375.0
Profit for the year	**1,663.3**	**2,276.8**	**4,539.8**

The following discussion compares the major components of our operating results in 2012, 2013 and 2014.

Revenue and other income

The following table summarizes our revenue and other income for the years indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Revenue			
Fee and commission income	4,379.5	5,627.3	8,127.3
Interest income	1,584.3	2,516.2	4,850.8
Net investment gains	918.3	780.8	2,678.8
Total revenue	**6,882.1**	**8,924.3**	**15,656.9**
Other income and gains	129.2	76.0	321.6
Total revenue and other income	**7,011.3**	**9,000.3**	**15,978.5**

Comparisons between 2014 and 2013

Our total revenue and other income increased by 77.5% to RMB15,978.5 million in 2014 compared to RMB9,000.3 million in 2013. This was due to the substantial increases in all of our principal business segments.

Comparisons between 2013 and 2012

Our total revenue and other income increased by 28.4% to RMB9,000.3 million in 2013 compared to RMB7,011.3 million in 2012. This was principally as a result of the increases in our fee and commission income and interest income, partially offset by a decrease in our net investment gains.

Fee and commission income

The following table summarizes our fee and commission income for the years indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Income from securities brokerage and advisory business	3,209.9	4,546.1	6,422.9
Income from futures brokerage business	302.6	289.2	225.4
Income from underwriting and sponsorship business	651.3	410.5	799.0
Income from financial advisory business	141.8	204.8	435.0
Income from asset management business	73.9	176.7	245.0
Total	**4,379.5**	**5,627.3**	**8,127.3**

Comparisons between 2014 and 2013

Our fee and commission income increased by 44.4% to RMB8,127.3 million in 2014 compared to RMB5,627.3 million in 2013. This was principally as a result of increases in our commission and fee income on securities brokerage, underwriting and sponsorship, financial advisory and asset management.

Our fee and commission income from securities brokerage and advisory business increased by 41.3% to RMB6,422.9 million in 2014 compared to RMB4,546.1 million in 2013, due primarily to our significantly increased brokerage trading volume resulting from (i) a surge in trading activities in the PRC stock market, especially in the fourth quarter of 2014, and (ii) the increase in our market share due to our ability to retain and attract clients. This was partially offset by a decrease in our average brokerage commission rate. Our brokerage trading volume of stocks and funds increased significantly to RMB12,404.0 billion in 2014 compared to RMB5,861.1 billion in 2013. The market share of our securities brokerage business in China in terms of trading volume grew from 6.1% in 2013 to 7.9% in 2014. As we continued to offer a low commission rate for basic brokerage services in 2014, our average securities brokerage commission rate decreased from 7.4bps in 2013 to 4.8bps in 2014.

Our fee and commission income from underwriting and sponsorship business increased by 94.6% to RMB799.0 million in 2014 compared to RMB410.5 million in 2013 due primarily to the significantly increased number and transaction value of equity and debt offerings underwritten by us. The growth of our IPO underwriting and sponsorship was mainly attributable to the resumption of A share IPO approval by the CSRC in 2014.

Our fee and commission income from financial advisory business increased significantly by 112.4% to RMB435.0 million in 2014 compared to RMB204.8 million in 2013 due primarily to the increase in the number of CSRC-approved M&A transactions advised by us in 2014 for which we generally charge higher advisory fees compared to M&A transactions that do not require CSRC approval.

Our fee and commission income from asset management business increased to RMB245.0 million in 2014 compared to RMB176.7 million in 2013 due to the significantly expanded AUM of our asset management schemes which grew from RMB132.7 billion as of December 31, 2013 to RMB345.5 billion as of December 31, 2014.

Comparisons between 2013 and 2012

Our fee and commission income increased by 28.5% to RMB5,627.3 million in 2013 compared to RMB4,379.5 million in 2012. This was principally as a result of increases in our commission and fee income on securities brokerage, asset management and financial advisory, partially offset by a decrease in our commission and fee income from underwriting and sponsorship business.

Our fee and commission income from securities brokerage and advisory business increased by 41.6% to RMB4,546.1 million in 2013 compared to RMB3,209.9 million in 2012, due primarily to our increased brokerage trading volume resulting from (i) more active trading activities in the PRC stock market, and (ii) the increase in our market share, partially offset by a decrease in our brokerage commission rate. Our brokerage trading volume of stocks and funds increased by 66.0% to RMB5,861.1 billion in 2013 compared to RMB3,531.2 billion in 2012. The market share of our securities brokerage business in China in terms of trading volume increased from 5.5% in 2012 to 6.1% in 2013. As we proactively adjusted our commission rate based on market competition and our business strategy, our average securities brokerage commission rate decreased from 8.6bps in 2012 to 7.4bps in 2013.

Our fee and commission income from asset management business increased significantly to RMB176.7 million in 2013 compared to RMB73.9 million in 2012 due to the significantly expanded AUM of our asset management schemes which grew from RMB51.6 billion as of December 31, 2012 to RMB132.7 billion as of December 31, 2013.

Our fee and commission income from financial advisory business increased by 44.4% to RMB204.8 million in 2013 compared to RMB141.8 million in 2012 due primarily to the increase in the number of M&A transactions advised by us in 2013.

Our fee and commission income from underwriting and sponsorship business decreased by 37.0% to RMB410.5 million in 2013 compared to RMB651.3 million in 2012 due primarily to the suspension of A share IPO approval by the CSRC in 2013, partially offset by the increased number and transaction value of follow-on offerings and debt offerings underwritten by us.

Interest income

The following table summarizes our interest income for the years indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Interest income from financial institutions	1,140.1	1,063.9	1,458.2
Interest income from margin financing and securities lending[(1)]	419.3	1,223.7	2,466.7
Interest income from securities-backed lending and stock repurchases	3.0	180.8	496.6
Interest income from other financial assets held under resale agreements	10.3	24.7	97.6
Others	11.6	23.1	331.7
Total	**1,584.3**	**2,516.2**	**4,850.8**

(1) Our interest income from margin financing and securities lending includes interest income from our Company's margin financing and securities lending business and from Huatai Financial Holdings' margin financing services, excluding interest income from certain collective asset management schemes managed by us under consolidated structure entities and paid to holders of these schemes.

Comparisons between 2014 and 2013

Our interest income increased by 92.8% to RMB4,850.8 million in 2014 compared to RMB2,516.2 million in 2013. This was principally as a result of the substantial growth of our capital-based intermediary businesses and the market as a whole.

In line with the substantial growth of our capital-based intermediary businesses and the market in 2014, interest income from our margin financing and securities lending business increased significantly to RMB2,466.7 million in 2014 compared to RMB1,223.7 million in 2013; while interest income from securities-backed lending and stock repurchases increased significantly to RMB496.6 million in 2014 compared to RMB180.8 million in 2013. The balance of our margin loans and securities lent in China increased significantly from RMB19,568.4 million as of December 31, 2013 to RMB65,482.9 million as of December 31, 2014. Our market share in China in terms of the balance of margin loans and securities lent increased from 5.7% in 2013 to 6.4% in 2014.

Interest income from financial institutions increased by 37.1% to RMB1,458.2 million compared to RMB1,063.9 million in 2013, due primarily to an increase in our cash balance held on behalf of brokerage clients as a result of favorable market conditions and more active trading activities in 2014; and an increase in the size of "Daily Gain," our cash management product in which our clients invest their surplus cash from their brokerage accounts.

Other interest income increased significantly to RMB331.7 million in 2014 compared to RMB23.1 million in 2013, due to the substantially increased AUM of our asset management schemes that are consolidated into our balance sheet as structured entities.

Comparisons between 2013 and 2012

Our interest income increased by 58.8% to RMB2,516.2 million in 2013 compared to RMB1,584.3 million in 2012. This was principally as a result of the growth in our capital-based intermediary businesses.

Interest income from our margin financing and securities lending business increased significantly to RMB1,223.7 million in 2013 compared to RMB419.3 million in 2012, which was in line with the substantial growth of the market demand and our capital-based intermediary businesses in 2013. The aggregate balance of our margin loans and securities lent in China increased significantly from RMB6,514.2 million as of December 31, 2012 to RMB19,568.4 million as of December 31, 2013.

Interest income from financial institutions decreased slightly to RMB1,063.9 million compared to RMB1,140.1 million in 2012, due primarily to a decrease in our cash balance held on behalf of brokerage clients as a result of unfavorable market conditions and trading activities in 2013.

Net investment gains

The following table summarizes our net investment gains for the years indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Net realized (losses)/gains from disposal of available-for-sale financial assets	(225.8)	(3.5)	569.4
Dividend income and interest income from available-for-sale financial assets	106.2	188.9	177.2
Net realized gains/(losses) from disposal of financial instruments at fair value through profit or loss	270.1	(10.7)	1,969.8
Dividend income and interest income from financial instruments at fair value through profit or loss	533.0	993.0	1,128.7
Net realized gains/(losses) from disposal of derivative financial instruments	278.8	183.9	(2,314.7)
Interest income from held-to-maturity investments	0.2	0.3	0.2
Unrealized fair value changes of financial instruments at fair value through profit or loss	147.2	(738.1)	2,034.1
Unrealized fair value changes of derivative financial instruments	(191.4)	167.0	(891.8)
Others	—	—	5.9
Total	**918.3**	**780.8**	**2,678.8**

Comparisons between 2014 and 2013

Our net investment gains increased by 243.1% to RMB2,678.8 million in 2014 compared to RMB780.8 million in 2013. This was principally as a result of a combination of the following:

- Compared to unrealized fair value loss and net realized loss arising from financial instruments at fair value through profit or loss in 2013, we had an RMB2,034.1 million of unrealized fair value gain from our financial instruments at fair value through profit or loss in 2014 and RMB1,969.8 million of net realized gain from disposal of these financial instruments , due primarily to the favorable performance of the securities market in China, particularly the stock market, and our successful quantitative trading strategy. This was partly offset by a net realized loss of RMB2,314.7 million from disposal of derivative financial instruments and an unrealized fair value loss of RMB891.8 million from derivative financial instruments, due to (i) the short positions we took in our hedging activities during a rising market resulting in a loss on derivatives while we generated a gain on our long positions, and (ii) the variable amount of income we paid to counter-parties in equity return swap contracts in which we and a qualified counter-party agreed to conduct an income swap in accordance with the agreed amount of nominal principal and income;

- Our dividend income and interest income from financial instruments at fair value through profit or loss increased from RMB993.0 million in 2013 to RMB1,128.7 million in 2014 due primarily to an increase in size and investment yield of our fixed-income investments; and
- Compared to a net realized loss in 2013, we had an RMB569.4 million net realized gains from disposal of available-for-sale financial assets in 2014 due to favorable performance of the securities market in China and significantly increased return on our investments in equity securities and other financial products that are classified as available-for-sale financial assets.

Comparisons between 2013 and 2012

Our net investment gains decreased by 15.0% to RMB780.8 million in 2013 compared to RMB918.3 million in 2012. This was principally as a result of the combination of the following:

- Compared to unrealized far value gain and net realized gain arising from financial instruments at fair value through profit or loss in 2012, we had RMB738.1 million of unrealized fair value loss from our financial instruments at fair value through profit or loss in 2013 and RMB10.7 million net realized losses from the disposal of these financial instruments, due primarily to the declining market prices of our equity and fixed-income trading; offset partially by the unrealized fair value gains of RMB167.0 million from derivative financial instruments and net realized gain of RMB183.9 million from disposal of derivative financial instruments, reflecting our active hedging strategy in 2013;
- Our dividend income and interest income from financial instruments at fair value through profit or loss increased from RMB533.0 million in 2012 to RMB993.0 million in 2013 due primarily to an increase in the investment yield of our fixed-income investments; and
- Due to the unfavorable performance of the securities market in China, we incurred losses from the disposal of available-for-sale financial assets in 2012 and 2013. Our net realized losses from disposal of available-for-sale financial assets improved from RMB225.8 million in 2012 to RMB3.5 million in 2013 due primarily to the net gains from our disposal of third-party wealth management products in 2013.

Other income and gains

The following table summarizes our other income and gains for the years indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Government grants	16.7	6.7	25.4
Rental income	9.7	32.1	39.0
Gains on disposal of property and equipment, investment properties, and other intangible assets	0.9	2.9	11.9
Income from commodity sales	—	—	186.5
Others	101.9	34.3	58.8
Total	**129.2**	**76.0**	**321.6**

Comparisons between 2014 and 2013

Our other income and gains increased significantly to RMB321.6 million in 2014 compared to RMB76.0 million in 2013. This was principally as a result of the recognition of income from commodity sales of RMB186.5 million which was generated by two newly-incorporated trading subsidiaries of Huatai Futures in 2014.

Comparisons between 2013 and 2012

Our other income and gains decreased by 41.2% to RMB76.0 million in 2013 compared to RMB129.2 million in 2012. This was principally as a result of the decreases in our non-recurring income and government grants in 2013. In 2012, we generated a substantial amount of income from certain financing advisory services which were not in our principal lines of business; and a portion of our government grants were related to our purchase of office properties in Shanghai, which generated an increased amount of rental income in 2013.

Total expenses

The following table summarizes our total expenses for the years indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Fee and commission expenses	869.1	981.4	1,650.1
Interest expenses	416.7	1,013.2	2,466.0
Staff costs	1,872.2	2,348.1	3,875.1
Depreciation and amortization expenses	343.7	338.1	312.3
Business tax and surcharges	300.4	429.4	660.1
Other operating expenses	1,295.7	1,185.6	1,367.4
(Reversal of)/provision for impairment losses	(3.6)	(24.1)	17.7
Total expenses	**5,094.2**	**6,271.7**	**10,348.7**

Comparisons between 2014 and 2013

Our total expenses increased by 65.0% to RMB10,348.7 million in 2014 compared to RMB6,271.7 million in 2013. This was principally as a result of the increases in our fee and commission expenses, interest expenses, staff costs, business tax and surcharges, reflecting our substantial business growth in 2014.

Comparisons between 2013 and 2012

Our total expenses increased by 23.1% to RMB6,271.7 million in 2013 compared to RMB5,094.2 million in 2012. This was principally as a result of the increases in our interest expenses, staff costs and fee and commission expenses.

Fee and commission expenses

The following table summarizes our fee and commission expenses for the years indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Expenses for securities brokerage and advisory business	741.3	936.6	1,546.5
Expenses for futures brokerage business	—	6.5	47.8
Expenses for underwriting and sponsorship business	127.3	37.7	53.7
Expenses for asset management business	0.5	0.6	2.1
Total	**869.1**	**981.4**	**1,650.1**

Comparisons between 2014 and 2013

Our fee and commission expenses increased by 68.1% to RMB1,650.1 million in 2014 compared to RMB981.4 million in 2013. This was principally as a result of the substantial increase in our expenses for the brokerage business, which was in line with the increase in our brokerage trading volume in 2014.

Comparisons between 2013 and 2012

Our fee and commission expenses increased by 12.9% to RMB981.4 million in 2013 compared to RMB869.1 million in 2012. This was principally as a result of the increase in our expenses for the brokerage business, which was in line with the increase in our brokerage trading volume in 2013, partially offset by our expenses for underwriting and sponsorship due to (i) the suspension of A share IPO approval by the CSRC in 2013 and (ii) our focus on underwriting follow-on and debt offerings which are generally associated with fewer expenses compared to underwriting of IPOs.

Interest expenses

The following table summarizes our interest expense for the years indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Interest expenses of accounts payable to brokerage clients	157.9	114.3	140.5
Interest expenses on financial assets sold under repurchase agreements	237.6	253.2	846.6
Interest expenses on placements	20.6	126.4	145.7
Interest expenses on short-term debt instruments issued	—	226.9	573.6
Interest expenses on long-term bonds	—	288.9	758.3
Others	0.6	3.5	1.3
Total	**416.7**	**1,013.2**	**2,466.0**

Comparisons between 2014 and 2013

Our interest expenses increased by 143.4% to RMB2,466.0 million in 2014 compared to RMB1,013.2 million in 2013. This was principally as a result of the increases in our interest expenses on multiple financing instruments, including financial assets sold under repurchase agreements, short-term debt instruments and long-term bonds, which we issued in 2014 to finance our working capital, particularly capital-based intermediary businesses. See "—Indebtedness."

In 2014, we incurred significantly increased interest expenses on financial assets sold under repurchase agreements due primarily to our increased margin loans receivable-backed repurchase transactions to obtain alternative sources of funding for our capital-based intermediary businesses and the increased financial assets sold under repurchase agreements which were managed by us under consolidated structure entities.

Comparisons between 2013 and 2012

Our interest expenses increased by 143.1% to RMB1,013.2 million in 2013 compared to RMB416.7 million in 2012. This was principally as a result of the increases in our interest expenses on placements from banks and China Securities Finance, short-term debt instruments and corporate bonds we incurred in 2013. See "—Indebtedness."

To meet our increased need for liquidity management in 2013, we started to engage in margin loans receivable-backed repurchase transactions to obtain alternative sources of funding for our business. In line with the decrease in our cash balance held on behalf of brokerage clients in 2013, our interest expenses on accounts payable to brokerage clients also decreased in 2013.

Staff costs

Comparisons between 2014 and 2013

Our staff costs increased by 65.0% to RMB3,875.1 million in 2014 compared to RMB2,348.1 million in 2013. This was principally as a result of the increase in our salaries and bonuses that reflected the growth in our revenue and profit in 2014 and our commitment to attract and retain professional talent.

Comparisons between 2013 and 2012

Our staff costs increased by 25.4% to RMB2,348.1 million in 2013 compared to RMB1,872.2 million in 2012. This was principally as a result of the increase in our salaries and bonuses which was in line with the increase in our revenue and profit in 2013.

Depreciation and amortization expenses

Comparisons between 2014 and 2013

Our depreciation and amortization expenses decreased slightly to RMB312.3 million in 2014 compared to RMB338.1 million in 2013. This was principally as a result of the decreases in our depreciation of property and equipment and amortization of long-term deferred expenses and other intangible assets due to our efforts to scale down our branch network and integrate the back-office functions of our branches.

Comparisons between 2013 and 2012

Our depreciation and amortization expenses decreased slightly to RMB338.1 million in 2013 compared to RMB343.7 million in 2012. This was principally as a result of the decrease in our depreciation of property and equipment as some of our equipment and software were extended beyond their intended useful lives.

Business tax and surcharges

Comparisons between 2014 and 2013

Our business tax and surcharges increased by 53.7% to RMB660.1 million in 2014 compared to RMB429.4 million in 2013. This was principally as a result of our increased revenue and business growth in 2014.

Comparisons between 2013 and 2012

Our business tax and surcharges increased by 42.9% to RMB429.4 million in 2013 compared to RMB300.4 million in 2012. This was principally as a result of our increased revenue and business growth in 2013.

Other operating expenses

The following table summarizes our other operating expenses for the years indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Rental expenses	223.7	219.0	222.6
Postal and communication expenses	161.1	145.7	120.4
Business entertainment expenses	156.0	135.2	105.5
Consulting fees	80.3	73.5	57.2
Business travel expenses	67.4	68.0	70.5
Utilities	39.9	37.9	32.3
IT expenses	39.6	38.9	33.9
Securities investor protection funds	34.6	45.1	57.0
Auditors' remuneration	2.2	2.4	3.9
Cost of commodity sales	—	—	192.1
Others	490.9	419.9	472.0
Total	1,295.7	1,185.6	1,367.4

Comparisons between 2014 and 2013

Our other operating expenses increased by 15.3% to RMB1,367.4 million in 2014 compared to RMB1,185.6 million in 2013. This was principally as a result of our cost of commodity sales of RMB192.1 million incurred by two newly-incorporated subsidiaries of Huatai Futures, partially offset by the reduced costs at our securities branches as a result of our more streamlined and centralized branch network.

Comparisons between 2013 and 2012

Our other operating expenses decreased by 8.5% to RMB1,185.6 million in 2013 compared to RMB1,295.7 million in 2012. This was principally as a result of our efforts to optimize our operating equipment and reduce costs at our securities branches.

(Reversal of)/provision for impairment losses

Comparisons between 2014 and 2013

Compared to a reversal of impairment losses in 2013, we made provisions for impairment losses of RMB17.7 million in 2014, primarily arising from margin accounts of Huatai Financial Holdings and other receivables in our brokerage business.

Comparisons between 2013 and 2012

Our reversal of impairment losses increased significantly to RMB24.1 million in 2013 compared to RMB3.6 million in 2012 due primarily to an RMB65.2 million reversal of impairment losses against other receivables, primarily in our investment banking business. This was partially offset by a substantial increase in our provision for impairment losses against available-for-sale financial assets, primarily for equity securities used in our securities lending business.

Operating profit

Comparisons between 2014 and 2013

As a result of the foregoing, our operating profit increased by 106.3% to RMB5,629.8 million in 2014 compared to RMB2,728.6 million in 2013.

Comparisons between 2013 and 2012

As a result of the foregoing, our operating profit increased by 42.3% to RMB2,728.6 million in 2013 compared to RMB1,917.1 million in 2012.

Share of profit of associates

Comparisons between 2014 and 2013

Our share of profit of associates increased by 30.0% to RMB285.0 million in 2014 compared to RMB219.2 million in 2013. This was principally as a result of the increased profit of our associates, primarily China Southern Asset Management and Huatai-PineBridge in 2014.

Comparisons between 2013 and 2012

Our share of profit of associates increased by 5.0% to RMB219.2 million in 2013 compared to RMB208.7 million in 2012. This was principally as a result of the increased profit of our associates, primarily China Southern Asset Management and Huatai-PineBridge in 2013.

Profit before income tax

Comparisons between 2014 and 2013

As a result of the foregoing, our profit before income tax increased by 100.7% to RMB5,914.8 million in 2014 compared to RMB2,947.8 million in 2013.

Comparisons between 2013 and 2012

As a result of the foregoing, our profit before income tax increased by 38.7% to RMB2,947.8 million in 2013 compared to RMB2,125.8 million in 2012.

Income tax expense

Comparisons between 2014 and 2013

Our income tax expense increased by 104.9% to RMB1,375.0 million in 2014 compared to RMB671.0 million in 2013. This was principally as a result of the increase in our taxable income in 2014. Our effective income tax rate increased from 22.8% in 2013 to 23.2% in 2014.

Comparisons between 2013 and 2012

Our income tax expense increased by 45.1% to RMB671.0 million in 2013 compared to RMB462.5 million in 2012. This was principally as a result of the increase in our taxable income in 2013. Our effective income tax rate increased from 21.8% in 2012 to 22.8% in 2013.

Profit for the year and net margin

The following table sets forth the key measurements of our profitability for the years indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions, except %)		
Operating profit(1)	1,917.1	2,728.6	5,629.8
Operating margin(2)	27.3%	30.3%	35.2%
Adjusted operating margin(3)(6)	33.5%	38.9%	47.5%
Profit for the year	1,663.3	2,276.8	4,539.8
Net margin(4)	23.7%	25.3%	28.4%
Adjusted net margin(5)(6)	29.1%	32.5%	38.3%

1. Operating profit = total revenue and other income—total expenses
2. Operating margin = operating profit/total revenue and other income
3. Adjusted operating margin = (operating profit)/(total revenue and other income—fee and commission expenses and interest expenses)
4. Net margin = profit for the year/total revenue and other income
5. Adjusted net margin = (profit for the year)/(total revenue and other income—fee and commission expenses and interest expenses)
6. Adjusted operating margin and adjusted net margin are not standard measures under IFRS, but are presented here because PRC securities companies present their operating revenues after deduction of fee and commission expenses and interest expenses under PRC GAAP, which is different from the practices for presenting the gross revenue under IFRS. We believe that the adjusted operating margin and adjusted net margin provide appropriate indicators of our results of operations that are more comparable to other PRC securities companies due to different presentation requirements under PRC GAAP. Prospective investors should be aware that the adjusted operating margin presented in this prospectus may not be comparable to other similarly titled measures reported by other companies due to different calculation methods or assumptions.

Comparisons between 2014 and 2013

Our profit for the year increased by 99.4% to RMB4,539.8 million in 2014 compared to RMB2,276.8 million in 2013. This was due to the increases in revenue from all of our business segments.

Our operating margin and net margin continued to improve in 2014 due to (i) sustained expansion of our capital-based intermediary businesses with a relatively high gross margin, and (ii) substantial growth of our asset management business with the highest segment margin among all our business lines.

Comparisons between 2013 and 2012

Our profit for the year increased by 36.9% to RMB2,276.8 million in 2013 compared to RMB1,663.3 million in 2012. This was principally as a result of the increases in our fee and commission income, particularly relating to our securities brokerage and advisory business, and our interest income from capital-based intermediary businesses.

Our operating margin and net margin increased in 2013 due to (i) rapid growth of our capital-based intermediary businesses with a relatively high gross margin; (ii) substantial growth of our asset management business with the highest segment margin among all our business lines; and (iii) improvements in our equity and debt underwriting business as well as financial advisory business.

SUMMARY SEGMENT RESULTS

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

We have five principal business lines and financial segments: (i) brokerage and wealth management, (ii) investment banking, (iii) asset management, (iv) investment and trading and (v) overseas business and others. The following discussions of our segment revenue and other income, segment expenses and segment results include our inter-segment revenue and inter-segment expenses.

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

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Brokerage and wealth management	4,614.9	6,883.3	10,322.7
Investment banking	1,152.1	896.7	1,431.4
Asset management	122.6	387.1	1,376.2
Investment and trading	735.9	545.9	2,421.4
Overseas business and others	402.4	415.5	436.7
Inter-segment eliminations	(16.6)	(128.2)	(9.9)
Total revenue and other income	**7,011.3**	**9,000.3**	**15,978.5**

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

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Brokerage and wealth management	(3,171.1)	(3,566.7)	(5,776.4)
Investment banking	(868.7)	(595.2)	(981.2)
Asset management	(67.4)	(112.3)	(300.5)
Investment and trading	(441.6)	(640.4)	(1,056.9)
Overseas business and others	(562.0)	(1,359.9)	(2,234.7)
Inter-segment eliminations	16.6	2.8	1.0
Total expenses	**(5,094.2)**	**(6,271.7)**	**(10,348.7)**

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

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Brokerage and wealth management	1,443.8	3,316.6	4,546.3
Investment banking	283.4	301.5	450.8[1]
Asset management	55.2	274.8	1,071.6[1]
Investment and trading	294.3	(94.5)	1,364.5
Overseas business and others	49.1[1]	(725.2)[1]	(1,509.5)[1]
Inter-segment eliminations	—	(125.4)	(8.9)
Profit before income tax	**2,125.8**	**2,947.8**	**5,914.8**

(1) Included share of profit of associates.

The following table sets forth our segment margin for the years indicated, which is calculated as the segment result divided by the segment revenue and other income:

	Year ended December 31,		
	2012	2013	2014
	(%)		
Brokerage and wealth management	31.3	48.2	44.0
Investment banking	24.6	33.6	31.5
Asset management	45.0	71.0	77.9
Investment and trading	40.0	(17.3)	56.4
Overseas business and others	12.2	(174.5)	(345.8)

Brokerage and wealth management

Segment revenue and other income from our brokerage and wealth management business consist of fee and commission income on securities brokerage and advisory and futures brokerage as well as interest income from our capital-based intermediary businesses and from deposits we hold on behalf of brokerage clients. Segment expenses primarily consist of fee and commission expenses on securities brokerage and advisory and interest expenses paid to our brokerage clients, China Securities Finance and on our margin loans receivable-backed repurchase transactions, staff costs, rental expenses, depreciation and amortization and other general and administrative expenses as well as business tax and surcharges.

Comparisons between 2014 and 2013

The segment results of our brokerage and wealth management business increased by 37.1% to RMB4,546.3 million in 2014 compared to RMB3,316.6 million in 2013 due primarily to a 50.0% increase in our segment revenue and other income from RMB6,883.3 million in 2013 to RMB10,322.7 million in 2014 as a result of the increases in our fee and commission income on securities brokerage and interest income from capital-based intermediary businesses:

- The increase in our fee and commission income on securities brokerage business was due to our significantly increased brokerage trading volume resulting from (i) a surge in trading activities in the PRC stock market, especially in the fourth quarter of 2014, and (ii) the increase in our market share due to our ability to retain and attract clients; and

- The increase in our interest income was due to the sustained expansion of our margin financing and securities lending business. The aggregate balance of our margin loans and securities lent increased significantly from RMB19,568.4 million as of December 31, 2013 to RMB65,482.9 million as of December 31, 2014.

The segment margin of our brokerage and wealth management business decreased to 44.0% in 2014 compared to 48.2% in 2013. This was primarily due to a decrease in our brokerage commission rate from 7.4bps in 2013 to 4.8bps in 2014 as we continued to offer a low commission rate to our clients for basic brokerage services in 2014.

Comparisons between 2013 and 2012

The segment results of our brokerage and wealth management business increased significantly by 129.7% to RMB3,316.6 million in 2013 compared to RMB1,443.8 million in 2012 due primarily to a 49.2% increase in our segment revenue and other income from RMB4,614.9 million in 2012 to RMB6,883.3 million in 2013 as a result of the increases in our commission and fee income on securities brokerage and interest income from capital-based intermediary businesses:

- The increase in our fee and commission income on securities brokerage business was principally as a result of (i) our increased brokerage trading volume resulting from the active trading activities in the PRC stock market in 2013 and (ii) the increase in our market share;
- The increase in our interest income was due to the significant expansion of our margin financing and securities lending business. The aggregate balance of our margin loans and securities lent increased significantly from RMB6,514.2 million as of December 31, 2012 to RMB19,568.4 million as of December 31, 2013; and
- These increases were partially offset by a decrease in our brokerage commission rate from 8.9bps in 2012 to 7.4bps in 2013.

Segment expenses increased by 12.5% to RMB3,566.7 million in 2013 compared to RMB3,171.1 million in 2012 which was in line with our increased brokerage trading volume in 2013.

As a result of the substantial growth of our capital-based intermediary businesses, which have a higher gross margin compared to our securities brokerage business, the segment margin of our brokerage and wealth management business increased to 48.2% in 2013 compared to 31.3% in 2012.

Investment banking

Segment revenue and other income from our investment banking business consists primarily of underwriting and sponsorship fees as well as financial advisory fees. Segment expenses consist primarily of staff costs and other operating expenses.

Comparisons between 2014 and 2013

Segment results of our investment banking business increased 49.5% to RMB450.8 million in 2014 compared to RMB301.5 million in 2013, due primarily to a 59.6% increase in our segment revenue and other income and a 64.9% increase in our segment expenses:

- The increase in the segment revenue and other income of our investment banking business was due to the increased number and transaction value of equity and debt offerings underwritten by us, particularly after the CSRC resumed A share IPO approval in 2014, along with an increase in the number of M&A transactions advised by us in 2014; and
- The increase in the segment expenses of our investment banking business was in line with the increased number of investment banking and M&A transactions carried out by us.

As a result, the segment margin of our investment banking business decreased to 31.5% in 2014 compared to 33.6% in 2013.

Comparisons between 2013 and 2012

Segment results of our investment banking business increased slightly to RMB301.5 million in 2013 compared to RMB283.4 million in 2012, due primarily to a 31.5% decrease in our segment expenses, partially offset by a 22.2% decrease in our segment revenue and other income:

- The decrease in the segment revenue and other income of our investment banking business was due primarily to the decrease in the fee and commission income from our underwriting and sponsorship, affected by the suspension of A share IPO approval by the CSRC in 2013, partially offset by the increased number and transaction value of follow-on offerings and debt offerings underwritten by us as well as an increase in the M&A transactions advised by us; and
- The decrease in the segment expenses of our investment banking business was due primarily to the reduction in our equity underwriting and sponsorship transactions, in line with the suspension of A share IPO approval by the CSRC in 2013.

The segment margin of our investment banking business increased to 33.6% in 2013 compared to 24.6% in 2012 due primarily to our focus on underwriting follow-on and debt offerings in 2013 which are generally associated with fewer expenses compared to IPO underwriting.

Asset management

Segment results in our asset management business consist primarily of management fees and performance fees and the segment expenses in this business consist primarily of staff costs, sales commission and operating expenses.

Comparisons between 2014 and 2013

Segment results of our asset management business increased significantly to RMB1,071.6 million in 2014 compared to RMB274.8 million in 2013. This was principally as a result of the significant growth of our segment revenue and other income, partially offset by an increase in our segment expenses:

- The 255.5% increase in our segment revenue and other income was due primarily to the significant growth of our AUM in 2014 and the resulting increase in our management and performance fees from asset management business; and

- The 167.6% increase in our segment expenses was due primarily to an increase in our staff costs as a result of the increased average salaries and headcount in our asset management business.

As a result, the segment margin of our asset management business increased to 77.9% in 2014 compared to 71.0% in 2013.

Comparisons between 2013 and 2012

Segment results of our asset management business increased significantly to RMB274.8 million in 2013 compared to RMB55.2 million in 2012. This was principally as a result of the significant growth of our segment revenue and other income, partially offset by a modest increase in our segment expenses:

- The 215.7% increase in our segment revenue and other income was due primarily to the significant growth of our AUM in 2013 and the resulting increase in our management and performance fees from asset management; and
- The 66.6% increase in our segment expenses was due primarily to an increase in our staff costs as a result of the increased average salaries and headcount in our asset management business.

As a result, the segment margin of our asset management business increased to 71.0% in 2013 compared to 45.0% in 2012.

Investment and trading

Segment revenue and other income from our investment and trading business consists primarily of net gains from financial assets at fair value through profit or loss (including financial assets held for trading and derivatives) and available-for-sale financial assets. The segment expenses consist primarily of interest expenses on short-term commercial papers (issued primarily for financing our investment and trading activities) and structured notes, staff costs, business tax and surcharges and rental expenses.

Comparisons between 2014 and 2013

Segment results of our investment and trading business were a profit of RMB1,364.5 million in 2014 compared to a loss of RMB94.5 million in 2013. This was principally as a result of the following:

- A 343.6% increase in our segment revenue and other income to RMB2,421.4 million in 2014 compared to RMB545.9 million in 2013, due primarily to the favorable performance of the securities market in China, particularly the stock market, and our successful quantitative trading strategy; and
- A 65.0% increase in our segment expenses to RMB1,056.9 million compared to RMB640.4 million in 2013, due primarily to our increased issue of short-term commercial papers and structured notes in 2014 and the resulting increase in our interest expenses as well as the increased business tax and surcharge and staff costs in this segment.

As a result, the segment margin of our investment and trading business was 56.4% in 2014 compared to a negative 17.3% in 2013.

Comparisons between 2013 and 2012

Segment results of our investment and trading business were a loss of RMB94.5 million in 2013 compared to a profit of RMB294.3 million in 2012. This was principally as a result of the following:

- A 25.8% decrease in our segment revenue and other income to RMB545.9 million in 2013 compared to RMB735.9 million in 2012, due primarily to the decrease in the market prices of our equity and fixed-income securities, partially offset by our active hedging activities; and
- A 45.0% increase in our segment expenses to RMB640.4 million compared to RMB441.6 million in 2012, due primarily to our issues of short-term commercial papers and the resulting increase in our interest expenses.

As a result, the segment margin of our investment and trading business was a negative 17.3% in 2013 compared to a positive 40.0% in 2012.

Overseas business and others

Segment revenue and other income from our overseas business and others segment consists primarily of interest income from our own deposits, share of profits from associates, revenue from Huatai Financial Holdings as well as other income and gains, such as government grants and rental income. Segment expenses mainly include interest expenses on corporate bonds, subordinated bonds and offshore bonds, administrative expenses related to the management and operations of our headquarters, including staff costs, rental expenses, depreciation and amortization, as well as expenses of Huatai Financial Holdings.

Comparisons between 2014 and 2013

Segment results of our overseas business and others were a loss of RMB1,509.5 million in 2014 compared to a loss of RMB725.2 million in 2013, due primarily to a 64.3% increase in the segment expenses principally as a result of our issues of an aggregate of RMB25.4 billion of short-term corporate bonds, subordinated bonds and offshore bonds in 2014 that resulted in a substantial increase in our interest expenses.

Comparisons between 2013 and 2012

Segment results for our overseas business and others were a loss of RMB725.2 million in 2013 compared to a profit RMB49.1 million in 2012, due primarily to (i) a 142.0% increase in the segment expenses principally as a result of an increase in our deferred employee bonus and (ii) our issues of corporate bonds in 2013 that resulted in an increase in our interest expenses, offset by a 3.3% increase in the segment revenue and other income.

As a result, the segment margin of our overseas business and others was negative 174.5% in 2013 compared to a positive 12.2% in 2012.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Historically, we have funded our working capital and other capital requirements primarily from cash generated from our business operations. Since 2012, due to more relaxed regulatory requirements and diverse client needs, we have actively engaged in and significantly expanded our capital-based intermediary businesses, particularly the margin financing and securities lending business, which are capital intensive, and therefore we have relied on a diverse range of money-markets and capital-markets financing, including primarily:

- *Interbank lending*: we obtain short-term liquidity from PRC interbank lending market, and as of December 31, 2014, the balance of our interbank lending was RMB0 (which increased to RMB400.0 million as of March 31, 2015);
- *Placements from China Securities Finance*: we obtain financing from China Securities Finance for margin refinancing and, as of December 31, 2014, the balance of our placements from China Securities Finance amounted to RMB1,500.0 million;
- *Repurchase transactions:* we contract to sell our financial assets (such as bonds, notes and margin loans receivable) to a counterparty (such as banks and other financial institutions) for a short-term financing and agree to repurchase such assets at a later date. As of December 31, 2014, the balance of our financial assets sold under repurchase agreements was RMB44,498.8 million (excluding assets managed by us under consolidated structured entities);
- *Short-term debt instruments*: we manage our short-term liquidity by issuing commercial papers, corporate bonds, subordinated bonds and structured notes with a term not exceeding one year. As of December 31, 2014, the aggregate balance of our short-term debt instruments was RMB24,787.1 million; and
- *Long-term bonds*: we finance our long-term business expansion by issuing corporate bonds, subordinated bonds and offshore bonds with a term exceeding one year. As of December 31, 2014, the aggregate balance of our long-term bonds was RMB21,345.3 million.

As of December 31, 2014, we had cash and bank balances (excluding cash and bank balances managed by us under consolidated structured entities) of RMB18,180.7 million.

When determining the amount of capital and other resources to be allocated to each business line, we mainly take into account our prevailing growth strategy and business focus, the capital requirements and estimated return for each business and applicable regulatory requirements, such as those in relation to capital adequacy, liquidity and risk management.

After the Global Offering, we intend to finance our future capital requirements through the same sources of funds as discussed above, together with the net proceeds we received from the Global Offering. We do not anticipate any changes to the availability of financing to fund our operations in the future, although there is no assurance that we will be able to access any financing on favorable terms or at all.

We are of the opinion that, taking into account the net proceeds from the Global Offering and the financial resources available to us, including cash and bank balances, cash flows from operating activities, and proceeds from short-term debt instruments and long-term bonds, our Directors believe that we have sufficient working capital for our present requirements, that is at least 12 months from the date of this prospectus.

After due consideration and discussions with our management and based on the above, the Joint Sponsors have no reason to believe that we are unable to meet the working capital requirements for the 12 months from the date of this prospectus.

The following discussion of liquidity and capital resources principally focuses on our consolidated statements of cash flows, assets and liabilities, and indebtedness.

Cash Flows

The following table sets forth selected cash flow statement information for the years indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Net cash generated from/(used in) operating activities	6,909.6	(15,196.0)	(11,173.5)
Net cash (used in)/generated from investing activities	(7,321.2)	1,908.5	2,324.8
Net cash (used in)/generated from financing activities	(817.7)	17,079.8	26,459.6
Net (decrease)/increase in cash and cash equivalents	**(1,229.3)**	**3,792.3**	**17,610.9**
Cash and cash equivalents at the beginning of the year	11,732.6	10,503.0	14,273.1
Effect of foreign exchange rate changes	(0.3)	(22.2)	(0.1)
Cash and cash equivalents at the end of the year	**10,503.0**	**14,273.1**	**31,883.9**

Operating activities

Our cash from operating activities consists primarily of cash generated or paid in relation to our commission-based securities business (such as brokerage, underwriting and financial advisory), margin financing and securities lending business, trading of financial assets held for trading, as well as resale and repurchase transactions. Cash flow from operating activities reflects (i) profit before tax adjusted for non-cash and non-operating items, such as depreciation and amortization and impairment allowance; (ii) the effects of movements in working capital, such as increase or decrease in margin accounts receivable, cash held on behalf of brokerage clients, financial instruments at fair value through profit or loss, and financial assets held under resale agreements and sold under repurchase agreements; and (iii) other cash items such as income tax paid.

Despite our negative operating cash flows in 2013 and 2014, we believe that we have strong ability to generate cash flows from operating activities during the Track Record Period and our operating cash flows before movements in working capital amounted to RMB2,943.2 million, RMB4,435.6 million and RMB6,349.4 million, respectively, for 2012, 2013 and 2014. In addition, our net current assets increased from RMB22,495.2 million as of December 31, 2012 to RMB34,471.6 million as of December 31, 2013 and further to RMB52,951.3 million as of December 2014, which proved to be sufficient to our working capital requirements during the Track Record Period.

In 2014, we had net cash used in operating activities of RMB11,173.5 million due primarily to our profit before income tax of RMB5,914.8 million and negative movements in working capital. Our negative movements in working capital primarily reflected (i) an increase in margin accounts receivable of RMB44,790.1 million as a result of the sustained growth of our capital-based intermediary businesses in 2014, (ii) an increase in financial instruments at fair value through profit or loss of RMB29,628.9 million due primarily to the increase in the value of securities managed by us under consolidated structured entities in 2014; and (iii) an increase in financial assets held under resale agreements of RMB11,732.3 million due to the growth in our securities-backed lending and stock repurchases in 2014. These cash outflows were partially offset by (i) an increase of RMB39,799.4 million in financial assets sold under repurchase agreements as a result of our increased margin loans receivable-backed repurchase transactions to support our growing margin financing business in 2014; and (ii) an increase of RMB37,489.2 million in other payables and accruals due to the increase in the payables to other interest holders of the consolidated structured entities managed by us.

In 2013, we had net cash used in operating activities of RMB15,196.0 million due primarily to our profit before income tax of RMB2,947.8 million and negative movements in working capital. Our negative movements in working capital primarily reflected (i) an increase in margin accounts receivable of RMB13,450.7 million as a result of the significant growth of our capital-based intermediary businesses in 2013, (ii) an increase in financial instruments at fair value through profit or loss of RMB11,228.9 million due to growth of our investments in fixed-income securities and funds in 2013; and (iii) an increase in financial assets held under resale agreement of RMB5,491.4 million due to the growth in our securities-backed lending and stock repurchases in 2013. These cash outflows were partially offset by (i) an increase of RMB9,493.7 million in other payables and accruals due to the increase in the payables to other interest holders under consolidated structured entities, (ii) a decrease in cash held on behalf of brokerage clients of RMB4,179.8 million due to weak market conditions in 2013, and (iii) an increase of RMB3,540.7 million in financial assets sold under repurchase agreements as a result of our increased margin loans receivable-backed repurchase transactions to support our growing margin financing business in 2013.

In 2012, we had net cash generated from operating activities of RMB6,909.6 million due primarily to our profit before income tax of RMB2,125.8 million and positive movements in working capital. Our positive movements in working capital primarily reflected (i) a decrease of RMB6,232.1 million in cash held on behalf of brokerage clients due to weak market performance, and (ii) a decrease of RMB5,704.9 million in financial instruments at fair value through profit or loss that reflected our decreased fixed-income investments. These cash inflows were partially offset by (i) an increase in margin accounts receivable of RMB3,835.0 million as a result of our expanded margin financing and securities lending business in 2012, and (ii) an decrease in financial assets sold under repurchase agreements of RMB2,717.4 million to manage our liquidity.

Investing activities

Our cash outflows from investing activities consist primarily of our purchase of property, equipment, investment properties, other long-term assets, intangible assets, purchase of associates and other investments and purchase of available-for-sale financial assets. Our cash inflows from investing activities consist primarily of the proceeds from the disposal of property and equipment, investment properties, intangible assets and available-for-sale financial assets as well as dividends and interest received from our associates and other investments.

In 2014, our net cash generated from investing activities was RMB2,324.8 million due primarily to (i) proceeds on disposal of available-for-sale financial assets and held-to-maturity investments of RMB1,536.3 million, primarily equity securities, (ii) receipt of RMB706.8 million of dividends and interest received from available-for-sale financial assets and other investments, primarily our equity and fixed-income investments and our investments in third-party financial products; and (iii) our recognition of RMB687.4 million of net assets attributable to other limited partners of our private equity funds. These cash inflows were partially offset by the purchases of property and equipment, investment properties, other intangible assets and other non-current assets of RMB657.8 million, primarily for funding the construction cost of our new headquarters building in Nanjing.

In 2013, our net cash generated from investing activities was RMB1,908.5 million due primarily to proceeds from the disposal of available-for-sale financial assets and held-to-maturity investments of RMB2,465.9 million, principally fixed-income securities and funds, partially offset by (i) purchase of property and equipment, investment properties, other intangible assets and other non-current assets of RMB536.1 million, primarily for funding the construction cost of our new headquarters building in Nanjing, and (ii) purchases of associate and other investments of RMB297.0 million, which represent our equity contribution to our associated private equity funds.

In 2012, our net cash used in investing activities was RMB7,321.2 million, due primarily to (i) purchases of property and equipment, investment properties, other intangible assets and other non-current assets of RMB1,366.4 million, particularly for purchasing office properties in Shanghai, and (ii) purchases of available-for-sale financial assets of RMB6,152.8 million, primarily fixed-income securities and third-party wealth management products.

Financing activities

Financing activities primarily include issuance of short-term debt instruments and long-term bonds, the distribution of dividends to our shareholders and the payment of interests on our debt instruments.

In 2014, our net cash generated from financing activities was RMB26,459.6 million, due primarily to the proceeds from issuance of short-term debt instruments of RMB51,620.1 million and proceeds from issuance of long-term bonds of RMB11,358.4 million, partially offset by repayment of short-term debt instruments of RMB34,833.0 million.

In 2013, our net cash generated from financing activities was RMB17,079.8 million, due primarily to the proceeds from issuance of long-term bonds of RMB10.0 billion and proceeds from issuance of short-term debt instruments of RMB8.0 billion.

In 2012, our net cash used in financing activities was RMB817.7 million, due primarily to dividends of RMB840.0 million paid to our shareholders.

Assets and Liabilities

In order to ensure appropriate liquidity management and capital allocation, we dynamically monitor the size and composition of our balance sheet and seek to maintain a liquid balance sheet. The substantial majority of our balance sheet consists of current assets and liabilities, on account of the highly liquid nature of our business.

Current assets and liabilities

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Current assets			
Accounts receivable	344.4	97.7	362.7
Other receivables and prepayments	321.5	1,137.6	2,057.1
Margin accounts receivable	6,401.5	19,852.2	64,636.7
Available-for-sale financial assets	6,377.7	5,318.4	4,307.0
Financial assets at fair value through profit or loss(1)	13,769.8	24,341.1	56,000.0
Financial assets held under resale agreements(2)	596.7	5,720.1	18,310.0
Derivative financial assets	—	—	20.8
Clearing settlement funds	304.1	639.2	544.3
Cash held on behalf of brokerage clients	33,309.8	29,130.0	71,536.3
Cash and bank balances(3)	11,341.7	17,180.4	36,001.6
Total current assets	**72,767.2**	**103,416.7**	**253,776.5**
Current liabilities			
Short-term debt instruments issued	—	8,000.0	24,787.1
Placements from other financial institutions	600.0	1,085.0	1,500.0
Accounts payable to brokerage clients	34,498.0	30,842.6	70,228.4
Employee benefits payable	516.2	774.0	1,740.6
Other payables and accruals(4)	8,164.2	18,030.3	56,802.4
Current tax liabilities	62.6	341.3	358.6
Financial assets sold under repurchase agreements(5)	6,328.2	9,868.8	44,668.2
Derivative financial liabilities	—	3.1	730.7
Financial liabilities at fair value through profit or loss	102.8	—	9.2
Total current liabilities	**50,272.0**	**68,945.1**	**200,825.2**
Net current assets	**22,495.2**	**34,471.6**	**52,951.3**

(1) According to IFRS 10 effective from January 1, 2013, we have consolidated certain of our asset management schemes as structured entities, under which we act as the asset manager, into our balance sheet retrospectively since 2012. As of December 31, 2012, 2013 and 2014, RMB435.9 million, RMB4,050.6 million and RMB27,958.2 million, respectively, of our financial assets at fair value through profit or loss were attributable to equity or fixed-income securities managed by us under consolidated structured entities.

(2) As of December 31, 2012, 2013 and 2014, RMB9.3 million, RMB1,352.5 million and RMB12,484.2 million, respectively, of our financial assets held under resale agreements were attributable to financial assets managed by us under consolidated structured entities.

(3) As of December 31, 2012, 2013 and 2014, RMB5,646.4 million, RMB12,171.4 million and RMB17,820.9 million, respectively, of our cash and bank balances were attributable to cash or cash equivalents managed by us under consolidated structured entities.

(4) As of December 31, 2012, 2013 and 2014, RMB5,725.7 million, RMB15,162.4 million and RMB49,903.5 million, respectively, of our other payables and accruals were attributable to payables to interest holders of our consolidated structured entities.

(5) As of December 31, 2012, 2013 and 2014, RMB0 million, RMB927.5 million and RMB5,169.5 million, respectively, of our financial assets sold under repurchase agreements were attributable to financial assets sold under repurchase agreement managed by us under consolidated structured entities.

Our current assets consist primarily of cash held on behalf of brokerage clients, margin accounts receivable, financial assets at fair value through profit or loss, cash and bank balances, and financial assets held under resale agreements. Our current liabilities include accounts payable to brokerage clients that are primarily repayable on our customers' demand, other payables and accruals, financial assets sold under repurchase agreements as well as short-term debt instruments payable. Our Directors confirm that we did not have any material default in payment of trade and non-trade payables during the Track Record Period.

We include various customer deposits as current assets, including cash held on behalf of brokerage clients and customer clearing settlement funds. We include accounts payable to brokerage clients as current liabilities. Customer deposits fluctuate based on our customers' trading activities, market conditions and other external factors beyond our control. As a result, customer deposits in our brokerage business are not a meaningful indicator of our financial condition or results of operations. See "—Selected Unaudited Financial Information as of and for the Three Months Ended March 31, 2015—Liquidity and Capital Resources—Assets and Liabilities—Adjusted current assets and liabilities" below for information on our assets and liabilities excluding customer deposits in our brokerage business.

Our net current assets, the difference between total current assets and total current liabilities, remained positive during the Track Record Period.

Our total net current assets increased by 53.6% to RMB52,951.3 million as of December 31, 2014 compared to RMB34,471.6 million as of December 31, 2013 because the increase in our total current assets was greater than the increase in our total current liabilities. The increase in our total current assets was primarily due to (i) a RMB44,784.5 million increase in margin accounts receivable as a result of the continued growth of our margin financing and securities lending business in 2014, (ii) a RMB42,406.3 million increase in our cash held on behalf of brokerage clients as a result of favorable market conditions and more active client trading activities in 2014, especially during the fourth quarter of 2014, (iii) a RMB31,658.9 million increase in financial assets at fair value through profit or loss as a result of the growth in our trading and investment business and an increase in the value of securities managed by us under consolidated structured entities, (iv) a RMB18,821.2 million increase in cash and bank balances due primarily to an increase in the cash and bank balances managed by us under consolidated structured entities, and (v) a significant increase in our other receivables and prepayments, primarily interest receivable, due primarily to the increased scale of our debt investment and trading and the resulting increase in our interest receivables from debt securities. The increase in our total current liabilities was primarily due to (i) a RMB39,385.8 million increase in our accounts payable to brokerage clients, corresponding with the increase in our cash held on behalf of brokerage clients, (ii) a RMB38,772.1 million increase in our other payables and accruals due primarily to substantially increased payables to interest holders of consolidated structured entities as a result of our AUM growth; (iii) a RMB34,799.4 million increase in financial assets sold under repurchase agreements as a result of increased margin loans receivable-backed repurchase transactions to manage our liquidity; and (iv) a RMB16,787.1 million increase in short-term debt instruments issued in 2014.

Our total net current assets increased by 53.2% to RMB34,471.6 million as of December 31, 2013 compared to RMB22,495.2 million as of December 31, 2012 because the increase in our total current assets was greater than the increase in our total current liabilities. The increase in our total current assets was primarily due to (i) a RMB13,450.7 million increase in margin accounts receivable as a result of the growth of our margin financing and securities lending business, (ii) a RMB10,571.3 million increase in financial assets at fair value through profit or loss as a result of an increase in the scale of our trading and investment business, particularly fixed-income investments and an increase in the value of securities managed by us under consolidated structure entities, (iii) a RMB5,123.4 million increase in financial assets held under resale agreements due to the increase in our securities-backed lending in 2013, and (iv) a RMB5,838.7 million increase in cash and bank balances due to an increase in the cash and bank balances managed by us under consolidated structured entities, partially offset by a RMB4,179.8 million decrease in our cash held on behalf of brokerage clients due primarily to unfavorable market conditions and trading activities in 2013. The increase in our total current liabilities was primarily due to (i) our issue of RMB8,000.0 million of short-term commercial papers, (ii) a RMB9,866.1 million increase in other payables and accruals due primarily to increased payables to interest holders of consolidated structured entities as a result of our AUM growth, and (iii) a RMB3,410.2 million increase in margin loans receivable-backed repurchase transactions to manage our liquidity, partially offset by a RMB3,655.4 million decrease in accounts payable to brokerage clients.

Adjusted current assets and liabilities

Customer deposits fluctuate based on our customers' trading activities, financial market conditions and other factors extrinsic to our business; consequently, although we earn some interest income from these deposits, customer deposits tend not to be meaningful indicators of our financial condition or operating performance. We have therefore adjusted our assets and liabilities in the following table to exclude the effect of customer deposits:

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Adjusted current assets(1)	38,269.2	72,574.1	183,548.1
Adjusted current liabilities(2)	15,774.0	38,102.5	130,596.8
Adjusted net current assets(3)	22,495.2	34,471.6	52,951.3
Current ratio(4)	2.4	1.9	1.4

(1) Adjusted current assets equal total current assets less accounts payable to brokerage clients, the latter representing the amount of deposits held by us on behalf of our brokerage clients.
(2) Adjusted current liabilities equal total current liabilities less accounts payable to brokerage clients.
(3) Adjusted current assets less adjusted current liabilities.
(4) Current ratio is calculated by dividing adjusted current assets by adjusted current liabilities.

We believe the category of adjusted net current assets is a more meaningful indicator of our financial performance because it does not include the impact of deposits from brokerage customers, which as discussed above, is largely unrelated to our financial performance but can cause large changes in our balance sheet.

Non-current assets and liabilities

The following table sets forth the components of non-current assets and liabilities as of the dates indicated:

	Year ended December 31,		
	2012	2013	2014
		(RMB millions)	
Non-current assets			
Property and equipment	2,553.0	2,298.5	3,303.7
Investment properties	105.3	625.4	674.0
Goodwill	51.3	51.3	51.3
Other intangible assets	379.0	382.0	401.2
Interest in associates	1,190.8	1,631.1	1,874.5
Held-to-maturity investments	205.0	5.0	5.0
Available-for-sale financial assets	4,509.6	3,367.4	4,969.1
Financial assets held under resale agreements	—	368.0	2,400.1
Refundable deposits	3,608.0	3,530.1	4,482.8
Deferred tax assets	242.2	373.7	178.9
Other non-current assets	244.5	164.5	108.9
Total non-current assets	**13,088.7**	**12,797.0**	**18,449.5**
Non-current liabilities			
Financial assets sold under repurchase agreements	—	—	5,000.0
Long-term bonds	—	9,980.0	21,345.3
Non-current employee benefits payable	137.4	318.9	705.4
Long-term bank loans	—	—	138.7
Deferred tax liabilities	266.1	168.7	601.2
Other non-current liabilities	—	—	1,665.8
Total non-current liabilities	**403.5**	**10,467.6**	**29,456.4**

Our non-current assets consist primarily of property and equipment, available-for-sale financial assets, interests in associates and refundable deposits. Our property and equipment consist primarily of commercial real property and operating facilities used by our headquarters and branches. Our available-for-sale financial assets primarily include our investments in unlisted companies, fixed-income securities and third-party wealth management products. Our interests in associates reflect mainly our investments in China Southern Asset Management and Huatai-PineBridge Asset Management. Our refundable deposits include deposits we made to futures exchanges in China for conducting futures brokerage activities. Our non-current liabilities consist primarily of long-term bonds.

Our total non-current assets increased by 44.2% to RMB18,449.5 million as of December 31, 2014 compared to RMB12,797.0 million as of December 31, 2013 due primarily to (i) a RMB2,032.1 million increase in financial assets held under resale agreements as a result of an increased balance of securities-backed lending with a term over one year, reflecting the growth of our capital-based intermediary businesses, (ii) a RMB1,601.7 million increase in available-for-sale financial assets as a result of our increased private equity investments and minority investments in unlisted PRC companies, (iii) a RMB1,005.2 million increase in property and equipment as a portion of our new headquarter offices completed construction and were thereby capitalized; and (iv) a

RMB952.7 million increase in refundable deposits primarily due to an increase in refundable deposit with futures exchanges, reflecting our increased futures brokerage trading volumes by the end of 2014. Our total non-current liabilities increased significantly from RMB10,467.6 million as of December 31, 2013 to RMB29,456.4 million as of December 31, 2014 primarily as we issued multiple tranches of long-term corporate bonds, subordinated bonds and offshore bonds in 2014.

Our total non-current assets decreased slightly from RMB13,088.7 million as of December 31, 2012 to RMB12,797.0 million as of December 31, 2013 due primarily to a RMB1,142.2 million decrease in available-for-sale financial assets primarily due to a decrease in our fixed-income investments for conducting deal-quoted bond repurchases. Our total non-current liabilities increased significantly from RMB403.5 million as of December 31, 2012 to RMB10,467.6 million as of December 31, 2013 as we issued two tranches of corporate bonds in 2013 with an aggregate principal amount of RMB10.0 billion.

INDEBTEDNESS

As of December 31, 2014, we had RMB1,500.0 million of placements from other financial institutions, RMB24,787.1 million of short-term debt instruments issued, RMB21,345.3 million of long-term bonds and RMB138.7 million of long-term bank loans.

The following table sets forth a breakdown of our indebtedness by type as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Placement from other financial institutions			
Interbank lending	300.0	450.0	—
Placements from China Securities Finance	300.0	635.0	1,500.0
Short-term debt instruments			
Short-term commercial papers	—	8,000.0	8,500.0
Short-term corporate bonds	—	—	7,000.0
Short-term subordinated bonds	—	—	7,000.0
Structured notes	—	—	2,287.1
Long-term bonds			
Corporate bonds	—	9,980.1	9,982.3
Offshore bonds	—	—	2,370.7
Long-term subordinated bonds	—	—	8,992.3
Long-term bank loans	**—**	**—**	**138.7**
Total	**600.0**	**19,065.1**	**47,771.1**

Placements from other Financial Institutions

Interbank lending

We are a member of the interbank lending market in China and able to obtain interbank lending with a term within seven days to quickly replenish our short-term liquidity. We generally pay an interest rate on interbank lending based on the Shanghai Interbank Offered Rate. Our interbank lending is typically unsecured. As of December 31, 2014, the balance of our interbank lending was RMB0.

Placements from China Securities Finance

To engage in the margin refinancing business, we began to obtain financing from China Securities Finance in 2012 which we can use solely for margin financing and securities lending. As of December 31, 2012, 2013 and 2014, the balance of our placements from China Securities Finance was RMB300.0 million, RMB635.0 million and RMB1,500.0 million, respectively.

According to the margin and securities refinancing agreement entered into with China Securities Finance in 2015, we can borrow funds or securities up to RMB7.0 billion for a term within six months. In return for the funds or securities borrowed from China Securities Finance, we agreed to place a 20% refundable deposit with China Securities Finance using a combination of cash and securities as collateral and pay an interest rate according to the rates determined by China Securities Finance. As of December 31, 2014, our placements from China Securities Finance had an interest rate of 5.8% per year.

Short-term Debt Instruments

We manage our short-term liquidity by issuing commercial papers, corporate bonds, subordinated bonds and structured notes with a term not exceeding one year. As of December 31, 2014, the aggregate balance of our short-term debt instruments issued was RMB24,787.1 million.

Short-term commercial papers

Subject to the approval from the PBOC, we can issue short-term unsecured debt securities in the national interbank bond market on a rolling basis. We use the net proceeds from our continuous issues of short-term commercial papers to primarily finance our working capital.

As of both December 31, 2014, we had three tranches of short-term commercial papers outstanding, with an aggregate principal amount of RMB8,500.0 million in the national interbank bond market. Our short-term commercial papers generally have a maturity of 85 to 90 days. The interest rates of our commercial papers are determined through a bidding process. We have an issuer rating of AAA and our commercial papers are rated by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. as A-1.

The following table sets forth the range of interest rates of our short-term commercial papers for the years indicated:

	Year ended December 31,		
	2012	2013	2014
Interest rates per year	N/A	3.56%-6.35%	4.15%-6.35%

As part of our business strategy, we intend to roll over our existing short-term commercial papers in 2015, subject to regulatory approval and market conditions.

Short-term corporate bonds

In October 2014, we obtained the approval from the CSRC to issue short-term corporate bonds on a trial basis. In December 2014, our Shareholders authorized that we may issue short-term corporate bonds not exceeding 60% of our Net Capital within one year. In December 2014, the Shanghai Stock Exchange accepted our application to issue short-term corporate bonds up to RMB11.5 billion through private placements to less than 200 qualified investors in China. On December 17, 2014, we issued the first tranche of short-term corporate bonds with a principal amount of RMB7.0 billion. This tranche of short-term corporate bonds was unsecured and had a term of eight months and an interest rate of 6.0% per year. We used the net proceeds from this issue primarily to fund our working capital.

As part of our business strategy, we intend to issue additional tranches of short-term corporate bonds in 2015, subject to market conditions and our capital requirements.

Subordinated bonds

We issue both short-term and long-term subordinated bonds to enhance our capital adequacy and working capital. See "—Subordinated Bonds" below.

Structured notes

As part of our OTC financial products and trading business, we also issue marketable securities either with the payment of principal and return linked to specific underlying assets or with a fixed return. As of December 31, 2014, the balance of our structured notes was RMB2,287.1 million.

In a typical issue, we place structured notes over the OTC market to less than 200 qualified investors with a minimum purchase price between RMB50,000 to RMB1 million. Our structured notes generally have a term between 25 and 186 days and an annualized interest rate between 5.5% and 9.0% which we pay to investors.

Long-term Bonds

We finance our long-term business expansion by issuing corporate bonds, subordinated bonds and offshore bonds with a term exceeding one year. As of December 31, 2014, the aggregate balance of our long-term bonds was RMB21,345.3 million.

Corporate bonds

Upon the approval from the CSRC, we issue corporate bonds, usually with a term between five to ten years, to institutional investors in China. During the Track Record Period, we issued two tranches of corporate bonds with an aggregate principal amount of RMB10.0 billion which were both listed on the Shanghai Stock Exchange in July 2013. We used the net proceeds from the issuance of corporate bonds primarily to replenish our working capital. As of December 31, 2014, the outstanding balance of our corporate bonds amounted to RMB9,982.3 million. The table below sets forth certain information on our outstanding corporate bonds:

	First Tranche	Second Tranche
Principal amount	RMB4,000 million	RMB6,000 million
Interest rate	4.68%	5.10%
Maturity date	June 5, 2018	June 5, 2023
Issuer rating	AAA	
Bond rating	AAA	
Rating agency	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.	
Issue date	June 5, 2013	
Offer price	100%	
Listing venue	Shanghai Stock Exchange	
Security	None	

We believe that our corporate bonds provide us with long-term external funds to support our business expansion, especially capital-based intermediary businesses.

We intend to issue additional tranches of corporate bonds in 2015, subject to corporate and regulatory approvals and market conditions.

Subordinated bonds

We issue both short-term and long-term subordinated bonds to enhance our capital adequacy and working capital. See "—Subordinated Bonds" below.

Offshore bonds

In October 2014, we issued US$400.0 million of credit enhanced bonds offshore through a wholly-owned subsidiary of Huatai Financial Holdings. Listed on the Hong Kong Stock Exchange, the bonds had an annual interest rate of 3.625% and a term of five years. We used the net proceeds from this issue for meeting the business needs, adjusting the debt structure and supplementing the working capital of Huatai Financial Holdings. As of December 31, 2014, the outstanding balance of our offshore bonds amounted to US$390.0 million (equivalent to RMB2,442.2 million).

Subordinated Bonds

We also issue debt securities in China that are subordinated to our other senior indebtedness, such as corporate bonds and bank loans, and only rank before our equity securities in case of liquidation. As part of the subordinated bonds are treated as Net Capital, issuing subordinated bonds can help strengthen our capital adequacy.

In 2014, we issued three tranches of subordinated bonds (each tranche has one or two classes) with an aggregate principal amount of RMB16.0 billion, including the following:

	Principal amount	Issue date	Maturity	Interest rate
	(RMB in millions)			
First tranche				
Short-term class	3,000.0	April 18, 2014	One year	5.95%
Long-term class	3,000.0	April 18, 2014	Two years	6.15%
Second tranche				
First long-term class	2,000.0	September 26, 2014	Three years	5.7%
Second long-term class	4,000.0	September 26, 2014	Four years	5.9%
Third tranche				
Short-term class	4,000.0	November 19, 2014	One year	5.1%

We intend to issue additional tranches of subordinated bonds in 2015, subject to market conditions and capital needs.

Long-term bank loans

In July 2014, we entered into a loan contract with Industrial and Commercial Bank of China for a banking facility of RMB500.0 million with a term of five years. Such loan was secured by our owned land. We agreed to pay an interest rate that matches the prevailing PBOC benchmark interest rate at the time of loan drawdown, and can solely use the loan to finance the construction of our new headquarters buildings in Nanjing. As of December 31, 2014, the balance of our bank loans was RMB138.7 million and the remaining RMB361.3 million of the loan facility was unutilized.

Our Directors have confirmed that, other than those disclosed in "Summary—Recent Developments and No Material Adverse Change", there has not been any material change in our indebtedness since December 31, 2014 to the date of this prospectus. During the Track Record Period, we did not have any material default on our indebtedness, and as of the Latest Practicable Date, all of our outstanding short-term debt instruments and long-term bonds were not subject to any material restrictive covenants.

Apart from the foregoing and those disclosed in "Summary—Recent Developments and No Material Adverse Change", we did not have, as of March 31, 2015, any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities.

CAPITAL EXPENDITURE

Our capital expenditures principally comprise expenditures for the purchase of property, equipment, intangibles assets and other long-term assets. The following table sets forth our capital expenditures for the periods presented:

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Purchase of property, equipment, intangible assets and other long-term assets	1,366.4	536.1	1,339.5

A substantial portion of our capital expenditure in 2012 was used for acquiring office properties in Shanghai to provide office space for our Shanghai head offices and Huatai Asset Management. In 2013 and 2014, our capital expenditures were primarily used for developing and constructing our new headquarters buildings in Nanjing. We funded these expenditures primarily with cash generated from our operations.

As of December 31, 2014, we estimated that our capital expenditures for 2015 will be approximately RMB983.5 million, which we will use primarily for upgrading our IT platform and completing our headquarters buildings under construction. We expect to fund these capital expenditures with cash generated from our operations and long-term bank loans.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital commitments

The following table below sets forth our capital commitments as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(RMB in millions)			
Contracted, but not provided for:	1,449.4	1,419.7	2,428.2	1,810.1

We have funded a substantial portion of our capital commitments by cash generated from our operations, with the remaining funded by long-term bank loans. During the Track Record Period, our capital commitments were mainly attributable to the purchase of land and properties for our new headquarters in Nanjing as well as capital contributions to the private equity funds managed by us. As of December 31, 2014 and March 31, 2015, our capital commitments were associated with the construction of our headquarters buildings in Nanjing and capital contributions to the private equity funds managed by us. We expect to fund our capital commitment with cash generated from our operations and long-term bank loans.

Operating lease commitments

We lease some of our office properties from third parties under non-cancellable operating leases. The following table sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
				(unaudited)
	(RMB in millions)			
Within one year (inclusive)	166.2	164.9	182.7	162.2
One to two years (inclusive)	131.3	113.9	124.1	125.8
Two to three years (inclusive)	77.9	57.3	67.3	62.4
Over three years	70.6	44.0	42.9	42.9
Total	446.0	380.1	417.0	393.3

Contingent Liabilities

As of March 31, 2015, we were not involved in any material legal, arbitration or administrative proceedings that if adversely determined, we expect would materially adversely affect our financial position or results of operations, although there can be no assurance that this will be the case in the future.

Our Directors confirm that there has been no material change in our contingent liabilities since December 31, 2014 to the date of this prospectus.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. It is the view of our Directors that each of the related party transactions set out in note 55 of Section II to the Accountants' Report in Appendix I to this prospectus were conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related parties transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding, off-balance sheet guarantees or foreign currency forward contracts.

NET CAPITAL AND OTHER REGULATORY REQUIREMENTS

According to the Administrative Measures for the Risk Control Indicators of Securities firms in the PRC, we have established a dynamic Net Capital monitoring mechanism to comply with statutory Net Capital requirements and other regulatory standards to maintain capital adequacy. In addition, we also need to maintain a minimum amount of Net Capital necessary to engage our securities brokerage, investment banking, trading and investment, asset management and margin financing and securities lending businesses. As of December 31, 2011, 2012 and 2013, we were in compliance with all of our capital adequacy and risk control index requirements.

As of December 31, 2014, our Company had Net Capital of RMB19.7 billion. The following table sets forth our key regulatory risk control index that we prepared in accordance with PRC GAAP and relevant PRC regulatory requirements as of the dates indicated:

	As of December 31,			Warning level(1)	Minimum/ Maximum level
	2012	2013	2014		
Net Capital (RMB in billions)	20.2	19.0	19.7	N/A	>0.2
Net Capital/total risk capital reserves(2)	1,089.0%	788.1%	463.6%	120%	>100%
Net Capital/net assets	64.6%	58.6%	53.2%	48%	>40%
Net Capital/total liabilities(3)	210.8%	62.5%	19.7%	9.6%	>8%
Net asset/total liabilities (%)	326.4%	106.8%	37.0%	24%	>20%
Value of equity securities and derivatives held/Net Capital	36.0%	49.4%	69.2%	80%	<100%
Value of fixed income securities held/Net Capital	63.7%	88.1%	81.5%	400%	<500%

(1) Warning ratios are set by the CSRC as follows, according to the Risk Control Index Measures: If the risk control index is required to stay above a certain level, then the warning ratio is 120% of the stipulated minimum requirement, and if the risk control index is required to stay below a certain level, then the warning ratio is 80% of the stipulated maximum requirement.

(2) As set out in the Risk Control Indicator Measures, risk capital reserve is a business-related regulatory risk indicator for assessing a PRC securities firm's Net Capital adequacy. A securities firm needs to regularly monitor its total risk capital reserves and report to the CSRC on a monthly basis, but is not required to set aside such reserves in its financial statements. Risk capital reserves are calculated with reference to a set of formula, which are based on certain key operating data of a securities firm's brokerage, investment and trading, investment banking, asset management and margin financing and securities lending businesses, as well as the number of branches and the amount of operating expenses. The regulatory rating assigned by the CSRC also affects the calculating formula for determining a securities firm's risk capital reserves. Our Company's total risk capital reserves were RMB1,851.7 million, RMB2,416.6 million and RMB4,255.7 million as of December 31, 2012, 2013 and 2014, respectively. For the detailed formula to calculate our total risk capital reserves, see "Regulatory Environment."

(3) For purposes of calculating the risk control index, total liabilities do not include accounts payable to clients.

In addition to the risk control indicators mentioned above, the Risk Control Indicator Measures require us to comply with the following requirements when we engage in proprietary trading: (i) the cost of holding one kind of equity securities should not exceed 30.0% of our Net Capital and (ii) the market value of one kind of equity securities we hold should not exceed 5.0% of its total market value, except for that owing to underwriting activities or otherwise approved by the CSRC.

In addition, when conducting margin financing and securities lending business, we are required to comply with the following requirements: (i) the value of margin financing granted to a single customer should not exceed 5.0% of our Net Capital, (ii) the value of securities lent to a single customer should not exceed 5.0% of our Net Capital and (iii) the market value of any single stock collateral should not exceed 20.0% of its total market capitalization.

We closely monitor all risk control indicators when conducting our business, particularly the investment and trading business as well as margin financing and securities lending businesses. In relation to all risk control indictors, we adopt an early warning and reporting mechanism in our risk management system that is more stringent than the regulatory warning levels to minimize compliance risk. We also conduct sensitivity analysis on these risk control indictors before we launch a new business or product, approve material capital expenditures, or declare dividends. We conduct regular stress testing to forecast our risk control indictors when facing extreme market or business environments. We typically have the options to replenish our Net Capital, scale down our operations or reduce our indebtedness to enhance our risk control indictors so as to maintain compliance with the regulatory requirements. During the Track Record Period, we have not had any non-compliances with these risk control indicators, nor have we received any warnings or penalties from the CSRC.

In February 2014, the SAC published guidelines for managing the liquidity risk of securities firms, which require a PRC securities firm's Liquidity Coverage Ratio (the ratio between good-quality liquid assets and forecast net cash outflow for the next 30 days) and Net Stable Funding Ratio (the ratio between available stable funding and required stable funding) to exceed 80% by December 31, 2014 and to exceed 100% by June 30, 2015. Failing to comply with such requirements may result in disciplinary actions imposed by the SAC. See "Risk Factors—Risk Relating to Our Business and Industry—A significant decrease in our internal or external liquidity could negatively affect our business and reduce customer confidence in us." According to the SAC guidelines, (i) the liquid assets would be deemed as "good-quality" if they could be easily and immediately converted to cash at little or no loss of value through sale or secured borrowing under certain stress conditions; (ii) the "available stable funding" is defined as the portion of capital and liabilities expected to be reliable over one year; and (iii) the "required stable funding" is calculated by first assigning the carrying value of our assets to the categories listed and the amount assigned to each category is multiplied by its associated required stable funding factor (which is assigned to each category).

As of December 31, 2014, our Liquidity Coverage Ratio and Net Stable Funding Ratio stood at 223.7% and 91.2%, respectively, which were above the applicable minimum requirements of the SAC for December 31, 2014. In order for our Net Stable Funding Ratio to exceed 100% by June 30, 2015, we intend to issue additional long-term bonds, such as corporate bonds and subordinated bonds, as well as utilizing margin accounts receivable-backed repurchases, all of which are considered as available stable funding, in the first half of 2015. In specific, in December 2014, our Shareholders have authorized us to issue subordinated bonds not exceeding RMB50.0 billion within three years, among which RMB6.0 billion has been issued in January 2015. For details, see "—Indebtedness-Subordinated Bonds" above.

SELECTED UNAUDITED FINANCIAL INFORMATION AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2015

As required by the SSE Listing Rules, we published our quarterly report on April 23, 2015, containing our unaudited consolidated financial statements as of and for the three months ended March 31, 2015 prepared under PRC GAAP. As a result, we have included our unaudited condensed consolidated financial statements in Appendix II to this prospectus. Our unaudited condensed consolidated financial statements have been prepared under IFRS and reviewed by our reporting accountants in accordance with International Standards on Review Engagements 2410.

Our summary consolidated statements of comprehensive income, summary consolidated statements of financial position and summary consolidated statements of cash flow as of or for the three months ended March 31, 2015 set forth below are derived from Appendix II to this prospectus. You should read the following information in conjunction with Appendix II to this prospectus and the accompanying notes. Our results of operations for the three months ended March 31, 2015 may not be indicative of our results of operations for the full year in 2015.

Results of Operations for the Three Months Ended March 31, 2015 Compared to the Three Months Ended March 31, 2014

The following table summarizes our results of operations for the periods indicated:

	Three months ended March 31,	
	2014	2015
	(unaudited) (RMB in millions)	
Revenue		
Fee and commission income	1,419.1	3,544.2
Interest income	878.4	2,641.2
Net investment gains	481.0	1,163.3
Total revenue	2,778.5	7,348.7
Other income and gains	36.6	22.8
Total revenue and other income	2,815.1	7,371.5
Fee and commission expenses	259.2	967.1
Interest expenses	419.9	1,579.9
Staff costs	710.1	1,518.0
Depreciation and amortization expenses	77.2	69.9
Business tax and surcharges	124.1	330.4
Other operating expenses	217.0	297.6
(Reversal of)/provision for impairment losses	(0.3)	1.0
Total expenses	1,807.2	4,763.9
Operating profit	1,007.9	2,607.6
Share of profit of associates	47.1	95.1
Profit before income tax	1,055.0	2,702.7
Income tax expense	245.0	667.9
Profit for the period	**810.0**	**2,034.8**

The following discussion compares the major components of our operating results for the three months ended March 31, 2014 and 2015:

Revenue and other income

The following table summarizes our revenue and other income for the periods indicated:

	Three months ended March 31,	
	2014	2015
	(unaudited) (RMB in millions)	
Revenue		
Fee and commission income	1,419.1	3,544.2
Interest income	878.4	2,641.2
Net investment gains	481.0	1,163.3
Total revenue	2,778.5	7,348.7
Other income and gains	36.6	22.8
Total revenue and other income	**2,815.1**	**7,371.5**

Our total revenue and other income increased significantly to RMB7,371.5 million for the three months ended March 31, 2015 compared to RMB2,815.1 million for the corresponding period in 2014. This was due to the substantial increases in all of our principal business segments.

Fee and commission income

The following table summarizes our fee and commission income for the periods indicated:

	Three months ended March 31, 2014	Three months ended March 31, 2015
	(unaudited) (RMB in millions)	
Income from securities brokerage and advisory business	1,110.4	3,234.3
Income from futures brokerage business	44.8	59.5
Income from underwriting and sponsorship business	177.1	150.3
Income from financial advisory business	35.2	61.4
Income from asset management business	51.6	38.7
Total	1,419.1	3,544.2

Our fee and commission income increased significantly to RMB3,544.2 million for the three months ended March 31, 2015 compared to RMB1,419.1 million for the corresponding period in 2014. This was principally as a result of increases in our fee and commission income on securities brokerage and advisory business.

Our fee and commission income from securities brokerage and advisory business increased by 191.3% to RMB3,234.3 million for the three months ended March 31, 2015 compared to RMB1,110.4 million for the corresponding period in 2014, due primarily to our significantly increased brokerage trading volume resulting from (i) the substantially improved PRC stock market, and (ii) the increase in our market share due to our ability to retain and attract clients. This was partially offset by a decrease in our average brokerage commission rate. Our brokerage trading volume of stocks and funds increased significantly to RMB7,141.1 billion for the three months ended March 31, 2015 compared to RMB1,639.6 billion for the corresponding period in 2014. The market share of our securities brokerage business in China in terms of trading volume grew from 6.5% for the three months ended March 31, 2014 to 8.3% for the corresponding period in 2015. As we continue to offer a low commission rate for basic brokerage services in 2014 and the three months ended March 31, 2015, our average securities brokerage commission rate decreased to 4.2bps for the three months ended March 31, 2015 compared to 6.5bps for the corresponding period in 2014.

Our fee and commission income from underwriting and sponsorship business decreased by 15.1% to RMB150.3 million for the three months ended March 31, 2015 compared to RMB177.1 million for the corresponding period in 2014 due primarily to the decreased number and transaction value of IPOs underwritten by us, for which we generally charged higher commission rate.

Our fee and commission income from financial advisory business increased significantly by 74.4% to RMB61.4 million for the three months ended March 31, 2015 compared to RMB35.2 million for the corresponding period in 2014 due primarily to the increase in the transaction value of CSRC-approved M&A transactions advised by us in the three months ended March 31, 2015, compared to the corresponding period in 2014.

Our fee and commission income from asset management business decreased by 25.0% to RMB38.7 million for the three months ended March 31, 2015 compared to RMB51.6 million for the corresponding period in 2014 due to the significantly increased AUM of our asset management schemes that are consolidated into our balance sheet as structured entities, resulting in us being the principal investor of the underlying assets, for which, according to our accounting policies, we primarily earn interest income and investment gains instead of fee and commission income. Also see "—Interest income" and "—Net investment gains" below.

Interest income

The following table summarizes our interest income for the periods indicated:

	Three months ended March 31, 2014	Three months ended March 31, 2015
	(unaudited) (RMB in millions)	
Interest income from financial institutions	308.9	648.9
Interest income from margin financing and securities lending[(1)]	442.3	1,606.9
Interest income from securities-backed lending and stock repurchases	69.3	232.1
Interest income from other financial assets held under resale agreements	32.8	16.0
Others	25.1	137.3
Total	878.4	2,641.2

(1) Our interest income from margin financing and securities lending includes interest income from our Company's margin financing and securities lending business and from Huatai Financial Holdings' margin financing services, excluding interest income from certain collective asset management schemes managed by us under consolidated structure entities and paid to holders of these schemes.

Our interest income increased significantly to RMB2,641.2 million for the three months ended March 31, 2015 compared to RMB878.4 million for the corresponding period in 2014. This was principally as a result of the substantial growth of our capital-based intermediary businesses and the market as a whole.

In line with the substantial growth of our capital-based intermediary businesses and the PRC stock market for the three months ended March 31, 2015 compared to the same period in 2014, interest income from our margin financing and securities lending business increased significantly to RMB1,606.9 million for the three months ended March 31, 2015 compared to RMB442.3 million for the corresponding period in 2014, and interest income from securities-backed lending and stock repurchases increased significantly to RMB232.1 million for the three months ended March 31, 2015 compared to RMB69.3 million for the corresponding period in 2014. The balance of our margin loans and securities lent increased from RMB21.0 billion as of March 31, 2014 to RMB65.5 billion as of December 31, 2014, and further increased to RMB95.8 billion as of March 31, 2015. The aggregate balance of our securities-backed lending and stock repurchases increased from RMB15.1 billion as of December 31, 2014 to RMB18.9 billion as of March 31, 2015.

Interest income from financial institutions increased by 110.1% to RMB648.9 million for the three months ended March 31, 2015 compared to RMB308.9 million for the corresponding period in 2014, due primarily to an increase in our cash balance held on behalf of brokerage clients as a result of favorable market conditions and more active trading activities in the three months ended March 31, 2015.

Other interest income increased significantly to RMB137.3 million for the three months ended March 31, 2015 compared to RMB25.1 million for the corresponding period in 2014, due to the significantly increased AUM of our asset management schemes that are consolidated into our balance sheet as structured entities.

Net investment gains

The following table summarizes our net investment gains for the periods indicated:

	Three months ended March 31,	
	2014	2015
	(unaudited) (RMB in millions)	
Net realized (losses)/gains from disposal of available-for-sale financial assets	(73.6)	101.9
Dividend income and interest income from available-for-sale financial assets	10.8	25.2
Net realized (losses)/gains from disposal of financial instruments at fair value through profit or loss	(134.7)	1,623.2
Dividend income and interest income from financial instruments at fair value through profit or loss	248.5	288.7
Net realized gains/(losses) from disposal of derivative financial instruments	350.6	(947.2)
Interest income from held-to-maturity investments	0.1	0.1
Unrealized fair value changes of financial instruments at fair value through profit or loss	111.7	1,141.3
Unrealized fair value changes of derivative financial instruments	(32.4)	(1,069.9)
Total	481.0	1,163.3

Our net investment gains increased by 141.9% to RMB1,163.3 million for the three months ended March 31, 2015 compared to RMB481.0 million for the corresponding period in 2014. This was principally as a result of the combination of the following:

- The combined net realized losses or gains from disposal of, dividend income and interest income from, and unrealized fair value changes of, financial instruments at fair value through profit or loss, increased by 1,254.0% to RMB3,053.2 million in the three months ended March 31, 2015 from RMB225.5 million the three months ended March 31, 2014, due primarily to our gains from equity investment and trading activities, resulting from a significantly improved PRC stock market in 2015;

- The combined net realized gains or losses from disposal of, and unrealized fair value changes of derivative financial instruments changed from a gain of RMB318.2 million in the three months ended March 31, 2014 to a loss of RMB2,017.1 million the three months ended March 31, 2015, due to (i) the increased amount of short positions we took in our hedging activities in 2015 during a rising market resulting in a loss on derivatives while we generated a gain on our long positions in equity investments, (ii) the variable amount of income we paid to counter-parties in equity return swap contracts in which we and a qualified counter-party agree to conduct an income swap in accordance with the agreed amount of nominal principal and income; and (iii) the amount paid to counterparties in our gold leasing and repurchase transactions which we commenced in 2015.

- Compared to realized losses from disposal of available-for-sale financial assets for the three months ended March 31, 2014, we had an RMB101.9 million of realized gains from disposal of available-for-sale financial assets for the corresponding period in 2015, due to significantly improved stock market in China and the increased return on our investments in equity securities and other financial products that are classified as available-for-sale financial assets.

Other income and gains

The following table summarizes our other income and gains for the periods indicated:

	Three months ended March 31,	
	2014	2015
	(unaudited) (RMB in millions)	
Government grants	—	0.2
Rental income	10.4	10.9
Gains on disposal of property and equipment	0.1	0.1
Others	26.1	11.6
Total	36.6	22.8

Our other income and gains decreased to RMB22.8 million for the three months ended March 31, 2015 compared to RMB36.6 million for the corresponding period in 2014. This was principally as a result of a one-off rebate from the local tax authorities in 2014 which was intended to incentivize withholding taxes on behalf of clients.

Total expenses

The following table summarizes our total expenses for the periods indicated:

	Three months ended March 31,	
	2014	2015
	(unaudited) (RMB in millions)	
Fee and commission expenses	259.2	967.1
Interest expenses	419.9	1,579.9
Staff costs	710.1	1,518.0
Depreciation and amortization expenses	77.2	69.9
Business tax and surcharges	124.1	330.4
Other operating expenses	217.0	297.6
(Reversal of)/ provision for impairment losses	(0.3)	1.0
Total expenses	1,807.2	4,763.9

Our total expenses increased by 163.6% to RMB4,763.9 million for the three months ended March 31, 2015 compared to RMB1,807.2 million for the corresponding period in 2014. This was principally as a result of the increases in our fee and commission expenses, interest expenses, staff costs, business tax and surcharges, reflecting our business growth in 2014 and for the three months ended March 31, 2015.

Fee and commission expenses

The following table summarizes our fee and commission expense for the periods indicated:

	Three months ended March 31, 2014	Three months ended March 31, 2015
	(unaudited) (RMB in millions)	
Expenses for securities brokerage and advisory business	235.7	946.4
Expenses for futures brokerage business	9.4	5.5
Expenses for underwriting and sponsorship business	13.4	13.9
Expenses for financial advisory business	—	0.9
Expenses for asset management business	0.7	0.4
Total	259.2	967.1

Our fee and commission expenses increased significantly to RMB967.1 million for the three months ended March 31, 2015 compared to RMB259.2 million for the corresponding period in 2014. This was principally as a result of a substantial increase in our expenses for the brokerage business, which was in line with the increase in our brokerage trading volume for the three months ended March 31, 2015.

Interest expenses

The following table summarizes our interest expense for the periods indicated:

	Three months ended March 31, 2014	Three months ended March 31, 2015
	(unaudited) (RMB in millions)	
Interest expenses of accounts payable to brokerage clients	27.1	68.0
Interest expenses on financial assets sold under repurchase agreements	116.4	735.8
Interest expenses on placements	17.5	52.1
Interest expenses on short-term debt instruments issued	135.1	353.6
Interest expenses on long-term bonds	123.3	347.7
Others	0.5	22.7
Total	419.9	1,579.9

Our interest expenses increased by 276.3% to RMB1,579.9 million for the three months ended March 31, 2015 compared to RMB419.9 million for the corresponding period in 2014. This was due primarily to our increased margin loans receivable-backed repurchase transactions and the resulting increase in our interest expenses on financial assets sold under repurchase agreements, as well as our increased interest expenses on short-term and long-term debt, which we issued to finance our working capital.

Staff costs

Our staff costs increased by 113.8% to RMB1,518.0 million for the three months ended March 31, 2015 compared to RMB710.1 million for the corresponding period in 2014. This was principally as a result of the increase in our salaries and bonuses that reflected the growth in our revenue and profit for the three months ended March 31, 2015.

Depreciation and amortization expenses

Our depreciation and amortization expenses decreased slightly to RMB69.9 million for the three months ended March 31, 2015 compared to RMB77.2 million for the corresponding period in

2014. This was principally as a result of the decreases in our depreciation of property and equipment and amortization of leasehold improvements and long-term deferred expenses due to our efforts to scale down our branch network and integrate back-office functions of our branches.

Business tax and surcharges

Our business tax and surcharges increased by 166.2% to RMB330.4 million for the three months ended March 31, 2015 compared to RMB124.1 million for the corresponding period in 2014. This was principally as a result of our increased revenue and business growth for the three months ended March 31, 2015.

Other operating expenses

The following table summarizes our other operating expenses for the periods indicated:

	Three months ended March 31,	
	2014	2015
	(unaudited) (RMB in millions)	
Rental expenses	55.5	58.5
Postal and communication expenses	20.5	16.3
Business entertainment expenses	21.7	24.0
Consulting fees	10.4	16.8
Business travel expenses	11.8	15.3
Utilities	8.6	7.4
IT expenses	10.2	15.1
Securities investor protection funds	12.0	27.5
Auditors' remuneration	0.1	0.8
Others	66.2	115.9
Total	217.0	297.6

Our other operating expenses increased by 37.1% to RMB297.6 million for the three months ended March 31, 2015 compared to RMB217.0 million for the corresponding period in 2014. This was principally as a result of the development of our business which led to higher expenses.

Operating profit

As a result of the foregoing, our operating profit increased by 158.7% to RMB2,607.6 million for the three months ended March 31, 2015 compared to RMB1,007.9 million for the corresponding period in 2014.

Share of profit of associates

Our share of profit of associates increased by 101.9% to RMB95.1 million for the three months ended March 31, 2015 compared to RMB47.1 million for the corresponding period in 2014. This was principally as a result of the increased profits of our associates, primarily China Southern Asset Management, in 2015.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by 156.2% to RMB2,702.7 million for the three months ended March 31, 2015 compared to RMB1,055.0 million for the corresponding period in 2014.

Income tax expense

Our income tax expense increased by 172.6% to RMB667.9 million for the three months ended March 31, 2015 compared to RMB245.0 million for the corresponding period in 2014. This was principally as a result of the increase in our taxable income for the three months ended March 31, 2015. Our effective income tax rate increased from 23.2% for the three months ended March 31, 2014 to 24.7% for the corresponding period in 2015.

Profit for the period and net margin

The following table sets forth the key measurements of our profitability for the periods indicated:

	Three months ended March 31,	
	2014	2015
	(unaudited) (RMB in millions except %)	
Operating profit[(1)]	1,007.9	2,607.6
Operating margin[(2)]	35.8%	35.4%
Adjusted operating margin[(3)(6)]	47.2%	54.0%
Profit for the period	810.0	2,034.8
Net margin[(4)]	28.8%	27.6%
Adjusted net margin[(5)(6)]	37.9%	42.2%

1. Operating profit = total revenue and other income − total expenses
2. Operating margin = (total revenue and other income − total expenses)/total revenue and other income
3. Adjusted operating margin = (operating profit for the period)/(total revenue and other income − fee and commission expenses and interest expenses)
4. Net margin = profit for the period/total revenue and other income
5. Adjusted net margin = (profit for the period)/(total revenue and other income − fee and commission expenses and interest expenses)
6. Adjusted operating margin and adjusted net margin are not standard measures under IFRS, but are presented here because PRC securities companies present their operating revenues after deduction of fee and commission expenses and interest expenses under PRC GAAP, which is different from the practices for presenting the gross revenue under IFRS. We believe that the adjusted operating margin and adjusted net margin provide appropriate indicators of our results of operations that are more comparable to other PRC securities companies due to different presentation requirements under PRC GAAP. Prospective investors should be aware that the adjusted operating margin presented in this prospectus may not be comparable to other similarly titled measures reported by other companies due to different calculation methods or assumptions.

Our profit for the period increased by 151.2% to RMB2,034.8 million for the three months ended March 31, 2015 compared to RMB810.0 million for the corresponding period in 2014. This was due primarily to the significant improvements in our brokerage and wealth management business.

Our operating margin and net margin continued to improve for the three months ended March 31, 2015 due to (i) the continued rapid growth of our margin financing and securities lending business, (ii) increased return from our equity and fixed-income investment and trading, and (iii) increased number and transaction value of CSRC-approved M&As advised by us.

Summary Segment Results for the Three Months Ended March 31, 2015 Compared to the Three Months Ended March 31, 2014

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

	Three months ended March 31,	
	2014	2015
	(unaudited) (RMB in millions)	
Brokerage and wealth management	1,827.0	5,310.4
Investment banking	256.3	284.6
Asset management	186.5	398.5
Investment and trading	486.2	1,230.3
Overseas business and others	59.3	148.0
Inter-segment eliminations	(0.2)	(0.3)
Total revenue and other income	2,815.1	7,371.5

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

	Three months ended March 31,	
	2014	2015
	(unaudited) (RMB in millions)	
Brokerage and wealth management	(891.2)	(2,921.4)
Investment banking	(187.3)	(153.4)
Asset management	(28.7)	(136.8)
Investment and trading	(223.5)	(378.4)
Overseas business and others	(476.7)	(1,174.2)
Inter-segment eliminations	0.2	0.3
Total expense	(1,807.2)	(4,763.9)

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

	Three months ended March 31,	
	2014	2015
	(unaudited) (RMB in millions)	
Brokerage and wealth management	935.8	2,389.0
Investment banking	69.0	131.2
Asset management	157.8	256.9[(1)]
Investment and trading	262.7	851.9
Overseas business and others	(370.3)[(1)]	(926.3)[(1)]
Inter-segment eliminations	—	—
Total profit/(loss) before income tax	1,055.0	2,702.7

(1) Included share of profit of associates

The following table sets forth our segment margin for the periods indicated, which is calculated as the segment result divided by the segment revenue and other income:

	Three months ended March 31,	
	2014	2015
	(%)	
Brokerage and wealth management	51.2	45.0
Investment banking	26.9	46.1
Asset management	84.6	64.5
Investment and trading	54.0	69.2
Overseas business and others	(624.5)	(625.9)

Brokerage and wealth management

The segment results of our brokerage and wealth management business increased by 155.3% to RMB2,389.0 million for the three months ended March 31, 2015 compared to RMB935.8 million for the corresponding period in 2014 due primarily to a 190.7% increase in our segment revenue and other income from RMB1,827.0 million for the three months ended March 31, 2014 to RMB5,310.4 million for the corresponding period in 2015 as a result of the increases in our commission and fee income on securities brokerage and interest income from capital-based intermediary businesses:

- The increase in our commission and fee income on securities brokerage business was due to our significantly increased brokerage trading volume resulting from (i) the substantially improved PRC stock market in the first quarter of 2015, and (ii) the increase in our market share due to our ability to retain and attract clients; and

- The increase in our interest income was due to the sustained expansion of our margin financing and securities lending business. The aggregate balance of our margin loans and securities lent increased significantly from RMB21.0 billion as of December 31, 2013 to RMB65.5 billion as of December 31, 2014, and further increased to RMB95.8 billion as of March 31, 2015.

The segment margin of our brokerage and wealth management business decreased to 45.0% for the three months ended March 31, 2015 compared to 51.2% for the corresponding period in 2014. This was primarily due to our decreased average brokerage commission rate, increased financing cost and the provisions for staff costs in this segment.

Investment banking

Segment results of our investment banking business increased by 90.1% to RMB131.2 million for the three months ended March 31, 2015 compared to RMB69.0 million for the corresponding period in 2014, due primarily to a 11.0% increase in our segment revenue and other income and a 18.1% decrease in our segment expenses:

- The increase in the segment revenue and other income of our investment banking business was due to the increased number and transaction value of CSRC-approved M&As advised by us and increased number of equity (primarily follow-on offerings) and debt offerings underwritten by us; and

- The decrease in the segment expenses of our investment banking business was resulted from the decreased number of IPOs underwritten by us which are associated with higher transaction expenses compared to follow-on offerings and debt offerings.

As a result, the segment margin of our investment banking business increased to 46.1% for the three months ended March 31, 2015 compared to 26.9% for the corresponding period in 2014.

Asset management

Segment results of our asset management business increased to RMB256.9 million for the three months ended March 31, 2015 compared to RMB157.8 million for the corresponding period in 2014. This was principally as a result of the significant growth of our segment revenue and other income, partially offset by an increase in our segment expenses:

- The 113.7% increase in our segment revenue and other income was due primarily to the significant growth of our AUM for the three months ended March 31, 2015 and the resulting increase in our management and performance fees from asset management business; and
- The 376.7% increase in our segment expenses was due primarily to a significant increase in our staff costs and other administrative expenses after we established our dedicated asset management subsidiary in late 2014 as well as increased interest expenses from consolidated structured entities.

As a result, the segment margin of our asset management business decreased to 64.5% for the three months ended March 31, 2015 compared to 84.6% for the corresponding period in 2014.

Investment and trading

Segment profit of our investment and trading business was RMB851.9 million for the three months ended March 31, 2015 compared to a segment gain of RMB262.7 million for the corresponding period in 2014. This was principally as a result of the following:

- A 153.0% increase in our segment revenue and other income to RMB1,230.3 million for the three months ended March 31, 2015 compared to RMB486.2 million for the corresponding period in 2014, due primarily to the favorable performance of the securities market in China, particularly the stock market, and our successful quantitative trading strategy that achieved additional return; and
- A 69.3% increase in our segment expenses to RMB378.4 million compared to RMB223.5 million for the three months ended March 31, 2014, due primarily to our increased issue of short-term commercial papers and structured notes in 2015 and the resulting increase in our interest expenses as well as the increased business tax and surcharge and staff costs in this segment.

As a result, the segment margin of our investment and trading business was 69.2% for the three months ended March 31, 2015 compared to 54.0% for the corresponding period in 2014.

Overseas business and others

Our segment loss for our overseas business and others increased significantly to RMB926.3 million for the three months ended March 31, 2015 compared to RMB370.3 million for the corresponding period in 2014, due primarily to a substantial increase in our interest expenses on bonds payable as a result of increased bonds issued and our increased staff costs at the headquarters level.

Liquidity and Capital Resources

As of March 31, 2015, we had cash and bank balances (excluding cash and bank balances managed by us under consolidated structured entities) of RMB12,611.6 million.

Apart from the various types of financing channels disclosed in "—Liquidity and Capital Resources" above, in 2015, we started to engage in gold leasing and repurchase transactions in which we borrow gold from a commercial bank and immediately sell the commodities to a counterparty, usually the lending bank itself, under a forward contract, for a short-term financing up to one year and we agree to repurchase such gold from the counterparty at a later date and a predetermined price and subsequently return the loaned gold to the lending bank. As of March 31, 2015, the balance of our gold leasing and repurchase transactions was RMB10,480.6 million.

Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	Three months ended March 31,	
	2014	2015
	(unaudited) (RMB in millions)	
Net cash (used in) /generated from operating activities	(6,098.5)	1,433.2
Net cash generated from investing activities	2,537.5	725.5
Net cash generated from financing activities	4,174. 4	9,384.9
Net increase in cash and cash equivalents	613.4	11,543.6
Cash and cash equivalents at the beginning of the period	14,273.1	31,883.9
Effect of foreign exchange rate changes	5.9	(13.5)
Cash and cash equivalents at the end of the period	14,892.4	43,414.0

Operating activities

In the three months ended March 31, 2015, we had net cash generated from operating activities of RMB1,433.2 million due primarily to our profit before income tax of RMB2,702.7 million and negative movements in working capital. Our negative movements in working capital primarily reflected an increase in margin accounts receivable of RMB30,959.1 million as a result of the sustained growth of our margin financing and securities lending business in early 2015. These cash inflows were partially offset by (i) an increase in other payables and accruals of RMB14,038.1 million due to the increase in the payables to other interest holders of the consolidated structured entities managed by us, (ii) an increase of RMB11,590.6 million in financial instruments at fair value through profit or loss that reflected our significantly increased equity and fixed-income investments and our increased amount of financial instruments at fair value through profit or loss managed by us under consolidated structured entities, and (iii) an increase of RMB6,201.1 million in financial assets sold under repurchase agreements to manage our liquidity.

In the three months ended March 31, 2014, we had net cash used in operating activities of RMB6,098.5 million due primarily to our profit before income tax of RMB1,055.0 million and negative movements in working capital. Our negative movements in working capital primarily reflected (i) a RMB4,109.1 million increase in restricted bank deposits due to an increased amount of time deposits managed by us under consolidated structured entities, (ii) an increase in margin accounts receivable of RMB1,224.4 million as a result of the gradual improvement in our margin financing and securities lending business in early 2014; and (iii) an decrease in financial assets sold under repurchase agreements of RMB352.7 million to manage our liquidity.

Investing activities

In the three months ended March 31, 2015, our net cash generated from investing activities was RMB725.5 million due primarily to proceeds from the disposal of available-for-sale financial assets of RMB810.9 million, principally investments in fixed-income securities and wealth management products, and our recognition of RMB340.0 million of net assets attributable to other limited partners of our private equity funds. These cash inflows were partially offset by our purchase of property, equipment, other intangible assets and other non-current assets of RMB258.3 million and purchases of associate and other investments of RMB193.0 million, which represent our equity contribution to our associated private equity funds.

In the three months ended March 31, 2014, our net cash generated from investing activities was RMB2,537.5 million due primarily to proceeds from the disposal of available-for-sale financial assets of RMB2,688.1 million, principally trust schemes.

Financing activities

In the three months ended March 31, 2015, our net cash generated from financing activities was RMB9,384.9 million, due primarily to the proceeds from issuance of short-term debt instruments of RMB13,676.4 million and proceeds from issuance of long-term bonds of RMB6,084.3 million, partially offset by repayment of debt of RMB10,398.3 million.

In the three months ended March 31, 2014, our net cash generated from financing activities was RMB4,174.4 million, due primarily to the proceeds from issuance of short-term debt instruments of RMB12,300.0 million, partially offset by repayment of debt of RMB8,000.0 million.

Assets and Liabilities

Current assets and liabilities

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

	As of December 31, 2014	As of March 31, 2015
		(unaudited)
	(RMB in millions)	
Current assets		
Accounts receivable	362.7	417.3
Other receivables and prepayments	2,057.1	2,920.4
Margin accounts receivable	64,636.7	95,595.9
Available-for-sale financial assets	4,307.0	3,394.7
Financial assets at fair value through profit or loss[(1)]	56,000.0	55,921.2
Financial assets held under resale agreements[(2)]	18,310.0	19,690.9
Derivative financial assets	20.8	36.2
Clearing settlement funds	544.3	2,605.2
Cash held on behalf of brokerage clients	71,536.3	97,573.4
Cash and bank balances[(3)]	36,001.6	47,786.5
Total current assets	**253,776.5**	**325,941.7**
Current liabilities		
Short-term bank loans	—	115.6
Short-term debt instruments issued	24,787.1	28,065.2
Placements from other financial institutions	1,500.0	1,900.0
Accounts payable to brokerage clients	70,228.4	99,145.2
Employee benefits payable	1,740.6	2,145.8
Other payables and accruals[(4)]	56,802.4	74,541.6
Current tax liabilities	358.6	792.6
Financial assets sold under repurchase agreements[(5)]	44,668.2	49,869.3
Derivative financial liabilities	730.7	1,512.5
Financial liabilities at fair value through profit or loss	9.2	10,379.8
Total current liabilities	**200,825.2**	**268,467.6**
Net current assets	**52,951.3**	**57,474.1**

1. As of December 31, 2014 and March 31, 2015, RMB27,958.2 million and RMB23,971.6 million, respectively, of our financial assets at fair value through profit or loss were attributable to equity or fixed-income securities managed by us under consolidated structured entities.
2. As of December 31, 2014 and March 31, 2015, RMB12,484.2 million and RMB10,797.9 million, respectively of our financial assets held under resale agreements were attributable to financial assets managed by us under consolidated structured entities.
3. As of December 31, 2014 and March 31, 2015, RMB17,820.9 million and RMB35,174.9 million, respectively, of our cash and bank balances were attributable to cash or cash equivalents managed by us under consolidated structured entities.
4. As of December 31, 2014 and March 31, 2015, RMB49,903.5 million and RMB63,157.2 million, respectively, of our other payables and accruals were attributable to payables to interest holders of our consolidated structured entities.
5. As of December 31, 2014 and March 31, 2015, RMB5,169.5 million and RMB3,672.4 million, respectively, of our financial assets sold under repurchase agreements were attributable to financial assets sold under repurchase agreement managed by us under consolidated structured entities.

Our net current assets increased to RMB57,474.1 million as of March 31, 2015 from RMB52,951.3 million as of December 31, 2014.

As of March 31, 2015, our current assets increased to RMB325,941.7 million compared to RMB253,776.5 million as of December 31, 2014, due primarily to (i) a RMB30,959.2 million increase in margin accounts receivable as a result of the continued growth of our margin financing and securities lending business in early 2015, (ii) a RMB11,784.9 million increase in cash and bank balance due primarily to an increase in the cash and bank balances managed by us under consolidated structured entities, (iii) a RMB26,037.1 million increase in cash held on behalf of brokerage clients as a result of favorable market conditions and more active client trading activities in early 2015, and (iv) a RMB1,380.9 million increase in financial assets held under resale agreements due primarily to the significant increase in our securities-backed lending business in early 2015 and the increased financial assets managed by us under consolidated structured entities.

As of March 31, 2015, our current liabilities increased to RMB268,467.6 million compared to RMB200,825.2 million as of December 31, 2014, due primarily to (i) a RMB28,916.8 million increase in accounts payable to brokerage clients in line with the increase in cash held on behalf of brokerage clients, (ii) a RMB781.8 million increase in derivative financial liabilities due primarily to our payables under equity return swaps and gold forward contracts, and (iii) a RMB10,370.6 million increase in financial liabilities at fair value through profit or loss due to our liabilities resulting from our newly-developed gold leasing and repurchase transactions for managing short-term liquidity.

Adjusted assets and liabilities

The following table sets forth the components of our adjusted assets and liabilities as of the dates indicated:

	As of December 31, 2014	As of March 31, 2015
		(unaudited)
	(RMB in millions)	
Adjusted current assets[(1)]	183,548.1	226,796.5
Adjusted current liabilities[(2)]	130,596.8	169,322.4
Adjusted net current assets[(3)]	52,951.3	57,474.1
Current ratio[(4)]	1.41	1.34

(1) Adjusted current assets equal total current assets less accounts payable to brokerage clients, the latter representing the amount of deposits held by us on behalf of our brokerage clients.
(2) Adjusted current liabilities equal total current liabilities less accounts payable to brokerage clients.
(3) Adjusted current assets less adjusted current liabilities.
(4) Current ratio is calculated by dividing adjusted current assets by adjusted current liabilities.

Non-current assets and liabilities

The following table sets forth the components of non-current assets and liabilities as of the dates indicated:

	As of December 31, 2014	As of March 31, 2015
		(unaudited)
	(RMB millions)	
Non-current assets		
Property and equipment	3,303.7	3,713.8
Investment properties	674.0	668.6
Goodwill	51.3	51.3
Other intangible assets	401.2	389.3
Interest in associates	1,874.5	2,181.6
Held-to-maturity investments	5.0	5.0
Available-for-sale financial assets	4,969.1	6,387.7
Financial assets held under resale agreements	2,400.1	2,732.3
Refundable deposits	4,482.8	5,332.1
Deferred tax assets	178.9	178.9
Other non-current assets	108.9	102.0
Total non-current assets	**18,449.5**	**21,742.6**
Non-current liabilities		
Financial assets sold under repurchase agreements	5,000	6,000
Long-term bonds	21,345.3	27,432.4
Non-current employee benefits payable	705.4	705.4
Long-term bank loans	138.7	316.0
Deferred tax liabilities	601.2	575.3
Other non-current liabilities	1,665.8	2,512.3
Total non-current liabilities	**29,456.4**	**37,541.4**

As of March 31, 2015, our non-current assets increased to RMB21,742.6 million compared to RMB18,449.5 million as of December 31, 2014, due primarily to (i) a RMB332.2 million increase in financial assets held under resale agreements due primarily to the growth of our security-backed lending business, (ii) a RMB849.3 million increase in refundable deposits as a result of the development of our stock index futures business, and (iii) a RMB1,418.6 million increase in available-for-sale financial assets as a result of the growth of the restricted investments by our private equity funds.

As of March 31, 2015, our non-current liabilities increased to RMB37,541.4 million compared to RMB29,456.4 million as of December 31, 2014, primarily as we issued subordinated bonds of RMB6.0 billion for the three months ended March 31, 2015.

Indebtedness

As of March 31, 2015, the latest date for determining our indebtedness, we had RMB1,900.0 million of placements from other financial institutions, RMB28,065.2 million of short-term debt instruments, RMB27,432.4 million of long-term bonds and RMB316.0 million of long-term bank loans. As of March 31, 2015, other than those disclosed in "—Indebtedness" above, our outstanding indebtedness included the following which we incurred in the three months ended March 31, 2015:

Placements from other Financial Institutions

Interbank lending

As of March 31, 2015, the balance of our interbank lending was RMB400.0 million, increasing from RMB0 as of December 31, 2014. As of the same date, our interbank lending was unsecured and had an interest rate ranging from 3.4% to 4.1% per year.

Short-term Debt Instruments

As of March 31, 2015, the aggregate balance of our short-term debt instruments issued was RMB28,065.2 million, increasing from RMB24,787.1 million as of December 31, 2014.

Short-term commercial papers

As of March 31, 2015, we had three tranches of short-term commercial papers outstanding, with an aggregate principal amount of RMB8,000.0 million. These tranches of short-term commercial papers have a maturity of 87 to 90 days. The interest rates of the commercial papers are determined through a bidding process. We have an issuer rating of AAA and our commercial papers are rated by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. as A-1. The interest rates of these commercial papers vary from 4.77% to 4.99% per year.

As part of our business strategy, we intend to roll over our existing short-term commercial papers in the remainder of 2015, subject to regulatory approval and market conditions.

Structured notes

For the three months ended March 31, 2015, we issued 29 tranches of structured notes. As of March 31, 2015, the balance of our structured notes was RMB6,065.2 million, increasing from RMB2,287.1 million as of December 31, 2014.

Long-term Bonds

As of March 31, 2015, the aggregate balance of our long-term bonds was RMB27,432.4 million, increasing from RMB21,345.3 million as of December 31, 2014. We issued the following subordinated bonds in the three months ended March 31, 2015:

Subordinated bonds

In the three months ended March 31, 2015, we issued one tranche subordinated bonds of RMB6,000.0 million to strengthen our Net Capital and liquidity. This tranche of subordinated bonds had a term of two years with an interest rate of 5.9% per year. As of March 31, 2015, the balance of our outstanding subordinated bonds was RMB21,993.8 million.

Long-term bank loans

In the three months ended March 31, 2015, we incurred additional long-term bank loans to finance the construction of our new headquarters buildings in Nanjing. As of March 31, 2015, the balance of our bank loans was RMB316.0 million and the remaining RMB184.0 million of the loan facility was unutilized.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

We have designed a risk management and control system to measure, monitor and manage financial risks arising in the ordinary course of business. See "Business—Risk Management" and note 57 of Section II of the Accountants' Report in Appendix I to this prospectus for an overview of our risk management processes. The main financial risks faced by us in the ordinary course of business are credit risk, liquidity risk and market risk. As we expand our business by offering new products and services, doing business with individuals and entities that are not within our traditional client and counterparty base, and entering new geographical markets, we are exposed to new regulatory and business challenges and risks, and the complexity of the risks we face has increased. The following discussion of our main financial risks and the estimated amounts of our risk exposure generated by our risk measurement models are forward-looking statements. These analyses and the results of our risk measurement models are not, however, predictions of future events, and our actual results may be significantly different from the analyses and results due to events in the global economy or the markets where we operate, as well as other factors described below.

Credit Risk

We are exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The following table sets forth our maximum credit risk exposure, being the carrying amount of the respective recognized financial assets before the effect of mitigation through the use of collateral:

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Held-to-maturity investments	205.0	5.0	5.0
Refundable deposits	3,608.1	3,530.1	4,482.8
Accounts receivable	344.4	97.7	362.7
Other receivables and prepayments	264.8	1,064.1	1,903.8
Margin accounts receivable	6,401.5	19,852.2	64,636.7
Available-for-sale financial assets	1,949.5	472.0	399.2
Financial assets held under resale agreements	596.8	6,088.1	20,710.0
Financial assets at fair value through profit or loss	11,060.4	17,566.1	35,536.6
Derivative financial assets	—	—	20.8
Clearing settlement funds	304.1	639.2	544.3
Cash held on behalf of brokerage clients	33,309.8	29,130.0	71,536.3
Bank balances	11,340.7	17,179.8	36,001.1
Total maximum credit risk exposure	69,385.1	95,624.3	236,139.3

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to us.

During the reporting period, we were exposed to four types of credit risk: (i) default risk of the issuer or counterparty in debt securities trading; (ii) risk of losses arising from default of customers in credit business such as margin financing and securities lending, securities-backed lending and stock repurchases; (iii) risk of losses to our funds or the funds of our customers arising from default of the financing party in innovative credit business; and (iv) default risk of other fixed income financial assets except for debt securities and derivative financial assets, which refers to risk of assets losses caused by counterparty defaults.

We use our risk management systems to monitor our credit risk on a real time basis, keep track of the credit risk of our business products and our transaction counterparties, provide analyses and pre-warning reports, and adjust our credit limits in a timely manner. We will also measure the credit risks of our major operations through stress test and sensitivity analysis.

For credit risk in debt securities trading, we monitor the issuer and bonds during the reporting period. We established the credit rating framework and conducted research on the debt securities that we held. We also assessed the creditability of counterparties to mitigate related default risk. In respect of margin financing and securities lending, securities-backed lending and stock repurchases business, we evaluate the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determine the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. We monitor the collateral of the margin financing and securities lending, securities-backed lending and stock repurchases business and promptly communicated with customers on any abnormalities identified to avoid defaults. In respect of innovative credit business, preliminary due diligence was performed with a comprehensive project feasibility report and a due diligence report submitted for approval before a project can be launched.

Liquidity risk

Liquidity risk arises in our investment activities, financing activities and capital management. Liquidity risk includes: (i) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small; and (ii) funding liquidity of being unable to meet financial obligations when they come due.

The following tables set out the details of the remaining contractual maturities and our non-derivative financial liabilities and derivative financial liabilities as of December 31, 2012, 2013 and 2014. Analysis of non-derivative financial liabilities is based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date we can be required to pay.

As of December 31, 2012

	Overdue / repayable on demand	Less than one month	More than one month but less than three months	More than three months but less than one year	More than one year but less than five years	More than five years	Total
				(RMB in millions)			
Placements from other financial institutions	—	601.7	—	—	—	—	601.7
Accounts payable to brokerage clients	34,497.9	—	—	—	—	—	34,497.9
Other payables and accruals	7,326.1	23.8	—	12.1	—	—	7,362.0
Financial assets sold under repurchase agreements	—	6,311.6	29.0	—	—	—	6,340.6
Derivative financial liabilities	—	—	—	—	—	—	—
Financial liabilities at fair value through profit or loss	102.8	—	—	—	—	—	102.8
Total	41,926.8	6,937.1	29.0	12.1	—	—	48,905.0

As of December 31, 2013

	Overdue / repayable on demand	Less than one month	More than one month but less than three months	More than three months but less than one year	More than one year but less than five years	More than five years	Total
	(RMB in millions)						
Short-term debt instruments issued	—	3,037.2	5,074.3	—	—	—	8,111.5
Placements from other financial institutions	—	531.9	564.8	—	—	—	1,096.7
Accounts payable to brokerage clients	30,842.6	—	—	—	—	—	30,842.6
Other payables and accruals	16,845.1	46.9	—	51.2	—	—	16,943.2
Financial assets sold under repurchase agreements	—	6,460.9	6.0	3,618.4	—	—	10,085.3
Derivative financial liabilities	—	—	3.0	—	—	—	3.0
Long-term bonds	—	41.1	82.2	369.9	5,863.6	7,351.5	13,708.3
Total	47,687.7	10,118.0	5,730.3	4,039.5	5,863.6	7,351.5	80,790.6

As of December 31, 2014

	Overdue / repayable on demand	Less than one month	More than one month but less than three months	More than three months but less than one year	More than one year but less than five years	More than five years	Undated	Total
	(RMB in millions)							
Short-term debt instruments issued	—	6,022.1	5,802.1	15,244.9	—	—	—	27,069.1
Placements from other financial institutions	—	—	1,286.7	257.3	—	—	—	1,544.0
Accounts payable to brokerage clients	70,228.4	—	—	—	—	—	—	70,228.4
Other payables and accruals	52,991.6	48.1	107.5	1,526.4	822.0	843.8	—	56,339.4
Financial assets sold under repurchase agreements	—	9,661.3	5,834.0	30,801.9	5,543.0	—	—	51,840.2
Derivative financial liabilities	—	—	104.1	106.1	520.6	—	—	730.8
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	9.2	9.2
Long-term bonds	—	93.0	186.1	837.3	15,919.1	7,045.5	—	24,081.0
Long-term bank loans	—	0.7	1.4	6.2	142.8	—	—	151.1
Total	123,220.0	15,825.2	13,321.9	48,780.1	22,947.5	7,889.3	9.2	231,993.2

Market risk

Market risk is the risk of loss, in respect of our income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and so on. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximize the risk adjusted return. We monitor interest rate risk, currency risk and price risk separately.

Interest rate risk

Interest rate risk refers to the likelihood of loss that may arise from adverse movements in the market interest rate. Our interest rate risk mainly arises from interest rate policy changes and the mismatch of interest-sensitive assets and liabilities.

We mainly manage interest rate risk through structuring and adjusting our asset portfolio, aiming at mitigating risks and improving profitability by diversification of assets.

Sensitivity analysis

For those financial instruments we hold which expose us to fair value interest rate risk, we adopt sensitivity analysis to measure the potential effect of changes in interest rates on our net profit and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit		
	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Move in yield curve			
Up 100 bps	(300.5)	(357.2)	(533.1)
Down 100 bps	344.3	405.9	585.1

	Sensitivity of equity		
	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Move in yield curve			
Up 100 bps	(341.2)	(361.5)	(538.1)
Down 100 bps	390.0	410.7	590.4

The sensitivity analysis above indicates the instantaneous change in our net profit and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments which expose us to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by us at the end of the reporting period, the impact on our net profit and equity is estimated as an annualized impact on interest expense or income of such a change in interest rates.

Currency risk

Currency risk is the risk arising from our foreign exchange business, which is attributable to the fluctuation of foreign exchange rates. We adopt sensitivity analysis to measure currency risk.

Assuming all other risk variables remained constant and without consideration of risk management measures undertaken by us, a 10% strengthening of the Renminbi against US dollar and

Hong Kong dollar at the reporting date would have increased or decreased our equity and net profit by the amount shown below, whose effect is in Renminbi and translated using the spot rate at the reporting date:

Currency	Sensitivity of net profit/equity		
	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
US dollar	(20.8)	(11.0)	(9.9)
Hong Kong dollar	(6.8)	(6.0)	(2.7)

A 10% weakening of the Renminbi against the US dollar and Hong Kong dollar at balance date would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

Due to the above assumptions, the result of sensitivity analysis on exchange rate changes may be different, compared with the actual changes in our net profit and equity of may arise with this.

Price risk

We are exposed to equity price changes arising from equity investments concluded in financial instruments at fair value through profit or loss and available-for-sale financial instruments. Price risk is mainly the proportionate fluctuation in our net profits due to the price fluctuation of the held for trading financial instruments and the proportionate fluctuation in our equity due to the price fluctuation of the held for trading and available-for-sale financial instruments.

Sensitivity analysis

The analysis below is performed to show the impact on our net profit and equity due to change in the prices of equity securities by 10% with all other variables held constant.

	Sensitivity of net profit		
	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Increase by 10%	203.2	513.3	1.602.0
Decrease by 10%	(203.2)	(513.3)	(1.602.0)

	Sensitivity of equity		
	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Increase by 10%	881.5	1,134.3	2,065.1
Decrease by 10%	(881.5)	(1,134.3)	(2,065.1)

The sensitivity analysis indicates the instantaneous change in our net profit and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments which expose us to equity price risk at the end of the reporting period. It is also assumed that the fair values of our equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2012, 2013 and 2014.

DIVIDEND POLICY

After the completion of the Global Offering, we may distribute dividends in the form of cash or by other means that we consider appropriate. Any proposed distribution of dividends shall be formulated by our Board and will be subject to our Shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, capital adequacy ratio, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important.

According to the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the general risk reserve of not less than 10% of our profit after tax;
- allocations to the statutory reserve equivalent to 10% of our profit after tax, and, when the statutory reserve reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory reserve will be required;
- allocations to the transaction risk reserve of not less than 10% of our profit after tax; and
- allocations, if any, to a discretionary common reserve fund that are approved by our shareholders in a Shareholders' meeting.

Furthermore, as required by the CSRC, as a securities firm, we are not allowed to distribute as cash dividends the gains from fair value changes of financial assets that are included in our distributable profits. Our Articles of Association require us to distribute cash dividends in any three consecutive fiscal years in an amount equal to at least 30% of the average annual distributable profits in the same period if there are no significant investment or capital expenditure plans.

After completion of the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRS, whichever is lower. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years.

In 2012, 2013 and 2014, we declared cash dividends of RMB840.0 million, RMB840.0 million and RMB840.0 million, respectively, representing a dividend of RMB0.15, RMB0.15 and RMB0.15 per A Share, respectively. On December 11, 2014, our shareholders resolved that our accumulated undistributed profits before the Global Offering would be shared among our existing shareholders and new shareholders. On March 30, 2015, our shareholders approved a cash dividend of RMB2,800.0 million to be payable to the holders of our A Shares. We paid this dividend in April 2015 using our own cash and bank balances. Our historical dividends may not be indicative of future dividends payments.

DISTRIBUTABLE RESERVES

As of December 31, 2014, we had RMB12,173.2 million in retained profits, as determined under IFRSs, available for distribution to our shareholders.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions, incentive fee, and other fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be approximately RMB569.4 million, of which approximately RMB555.7 million is directly attributable to the issue of H Shares to the public and to be capitalized, and approximately RMB13.7 million is expected to be reflected in our consolidated income statements. Our Directors do not expect such expenses to materially impact our results of operations for 2015.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma statement of adjusted consolidated net tangible assets of Huatai Securities Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is set out below to illustrate the effect of the proposed offering by the Company of its shares (the "Global Offering") on the consolidated net tangible assets of the Group attributable to the shareholders of the Company as of March 31, 2015, as if the Global Offering had taken place on March 31, 2015.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of March 31, 2015 or at any future date.

	Consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per share	
	RMB Million Note (1)	RMB Million Note (2)/(5)	RMB Million Note (3)	RMB Note (4)	HK$ Note (6)
Based on an offer price of HK$20.68 per share	40,570	22,309	62,879	8.98	11.39
Based on an offer price of HK$24.80 per share	40,570	26,766	67,336	9.62	12.20

(1) The consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2015 is compiled based on the unaudited financial information included in the Unaudited Interim Financial Information set out in Appendix II to the prospectus, which is based on the unaudited consolidated net assets attributable to shareholders of the Company of RMB41,010 million less other intangible assets of RMB389 million and goodwill of RMB51 million as of March 31, 2015. The unaudited consolidated net assets attributable to shareholders of the Company has taken into account the dividend of RMB0.5 per A Share to our existing holders of A Shares, equivalent to RMB2,800 million in aggregate, approved by our existing Shareholders at the annual general meeting on March 30, 2015.

(2) The estimated net proceeds from the Global Offering are based on the offer price of HK$20.68 (being the minimum offer price) and HK$24.80 (being the maximum offer price) per H share and the assumption that there are 1,400,000,000 newly issued H Shares in the Global Offering, after deduction of the underwriting fees and other related expenses payable by the Company, assuming that the Over-allotment Option is not exercised.

(3) The unaudited pro forma adjusted consolidated net tangible assets does not take into account the financial results or other transactions of the Group subsequent to March 31, 2015.

(4) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived on the basis of 7,000,000,000 shares in issue assuming that the Global Offering has been completed on March 31, 2015 and that Over-allotment Option is not exercised.

(5) The estimated net proceeds from the Global Offering are translated into Renminbi at the rate of RMB0.7886 to HK$1.00, being the exchange rate set by the People's Bank of China prevailing on May 8, 2015. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rate.

(6) The unaudited pro forma adjusted consolidated net tangible assets per share is translated into Hong Kong dollars at exchange rate of RMB0.7886 to HK$1.00. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars at that rate or at any other rate.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors have confirmed that they are not aware of any circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Hong Kong Listing Rules.

As a company listed on the Shanghai Stock Exchange, we are required to publish our quarterly (for the first and third quarters of each year), interim (for the first six months of each year) and annual reports with respect to our A Shares under the listing rules of the Shanghai Stock Exchange. These reports are prepared in conformity with PRC GAAP. Our quarterly financial information in both English and Chinese will also be released in Hong Kong simultaneously pursuant to Rule 13.10B of the Hong Kong Listing Rules subsequent to our Listing on the Hong Kong Stock Exchange. We will publish annual and semi-annual financial information under IFRS for H Share disclosure purpose and annual, semi-annual and quarterly financial information under PRC GAAP for A Share disclosure purpose simultaneously.

In addition, we are also required by the CSRC to announce selected unconsolidated unaudited monthly operating income and net profit and month-end net assets of our Company and its two securities subsidiaries, Huatai United and Huatai Asset Management, prepared in conformity with PRC GAAP, by way of an announcement published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn/) on a monthly basis. Our monthly selected unconsolidated financial data in both English and Chinese will also be released in Hong Kong simultaneously pursuant to Rule 13.10B of the Hong Kong Listing Rules subsequent to our Listing on the Hong Kong Stock Exchange.

DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects since December 31, 2014 (being the date of our latest audited financial statements) and there has been no event since December 31, 2014 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS

See the section headed "Business—Business Strategies" in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$22.74 per H Share (being the mid-point of the stated range of the Offer Price of between HK$20.68 and HK$24.80 per H Share), we estimate that we will receive net proceeds of approximately HK$31,114.9 million from the Global Offering after deducting the underwriting commissions, the maximum discretionary incentive fee and other estimated expenses in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set out below:

- Approximately 60%, or HK$18,668.9 million, will be used to develop our capital-based intermediary businesses to satisfy the increasing investment and financing needs of our clients, in particular:
  - actively expanding our margin financing and securities lending, securities backed lending and stock repurchase businesses; and
  - developing and offering new types of financing products and other capital-based financing products as approved by the CSRC.
- Approximately 10%, or HK$3,111.5 million, will be used to expand our investment and trading business and to invest in other financial products as approved by the PRC regulatory authorities, in particular:
  - expanding programmed and quantitative trading techniques and a combination of trading strategies, such as hedging, arbitrage and high-frequency trading;
  - actively developing market-making services for the NEEQ and for exchange-traded options; and
  - expanding our fixed-income investment and trading business to cover commodities and currencies.
- Approximately 10%, or HK$3,111.5 million, will be used to contribute additional capital to Huatai Zijin and Huatai Asset Management for expanding our asset management and private equity management businesses, in particular:
  - investing in and managing additional private equity funds to explore the intrinsic value of selected sectors and enterprises in China; and
  - hiring professional asset managers and research experts to improve our active management capabilities, upgrading the IT system of Huatai Asset Management, and contributing additional funds to our own asset management schemes.
- Approximately 10% or HK$3,111.5 million, will be used to expand our overseas business, in particular:
  - providing capital to support the growth of our various overseas business lines; and
  - seeking selective acquisitions in the global financial industry for targets with suitable scale and unique market position. As of the Latest Practicable Date, we have not identified any target for acquisition.

- Approximately 10%, or HK$3,111.5 million, will be used for working capital and general corporate purposes.

If the Offer Price is fixed at HK$24.80 per H Share, being the high-end of the Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised, the net proceeds will be increased by approximately HK$2,826.1 million. If the Offer Price is fixed at HK$20.68 per H Share, being the low-end of the Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised, the net proceeds will be reduced by approximately HK$2,826.1 million. To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes accordingly on a pro rata basis.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be HK$4,679.5 million, after deducting the underwriting commissions, the maximum discretionary incentive fee and other estimated expenses in connection with the Global Offering and assuming an Offer Price of HK$22.74 per H Share, being the mid-point of the Offer Price range stated in this prospectus.

Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis in the event that the Over-allotment Option is exercised.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, our Directors currently intend that such proceeds will be placed in short-term interest-bearing instruments, such as liquid fixed-income securities, bank deposits or money market instruments with licensed banks or financial institutions in Hong Kong or the PRC.

We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with 13 cornerstone investors (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), who have agreed to subscribe, or cause their designated entities to subscribe, for such number of our Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of approximately US$1,900 million (approximately HK$14,731.8 million) (the "**Cornerstone Placing**") at the Offer Price.

Assuming an Offer Price of HK$20.68 (being the low end of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investors would be 712,370,800, representing approximately (i) 50.88% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 10.18% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised; and (iii) 9.88% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised. Assuming an Offer Price of HK$22.74 (being the mid-point of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investors would be 647,836,400, representing approximately (i) 46.27% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 9.25% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised; and (iii) 8.99% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is exercised in full. Assuming an Offer Price of HK$24.80 (being the high end of the Offer Price range set out in this prospectus), the total number of H Shares subscribed by the Cornerstone Investors would be 594,024,600, representing approximately (i) 42.43% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 8.49% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised; and (iii) 8.24% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

The Cornerstone Placing will form part of the International Offering and none of such Cornerstone Investors will subscribe for any Offer Share under the Global Offering (other than and pursuant to their respective cornerstone investment agreements). The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue upon completion of the Global Offering and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering—The Hong Kong Public Offering" in this prospectus.

To the best knowledge of our Company, save for ICBC Asset Management Scheme Nominee as disclosed below, each of the Cornerstone Investors is an Independent Third Party and independent of other Cornerstone Investors, not our connected person and not an existing shareholder or close associates of our Group.

Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or around Friday, May 29, 2015.

CORNERSTONE INVESTORS

We set out below a brief description of our Cornerstone Investors:

Hillhouse Funds

Gaoling Fund, L.P. and YHG Investment, L.P. (collectively, the "**Hillhouse Funds**") have agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$200 million (of which US$192,134,000 by Gaoling Fund, L.P. and US$7,866,000 by YHG Investment, L.P.) at the Offer Price. Assuming the Offer Price of HK$20.68, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that the Hillhouse Funds would subscribe for would be 74,986,400, representing approximately 1.07% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$22.74, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that the Hillhouse Funds would subscribe for would be 68,193,400, representing approximately 0.97% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$24.80, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that the Hillhouse Funds would subscribe for would be 62,529,000, representing approximately 0.89% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

The Hillhouse Funds are Asia-focused funds managed by Hillhouse Capital Management, Ltd. ("**Hillhouse**"). Hillhouse manages capital for world-class institutional investors, concentrating on making equity investments over a long-term investment horizon. Hillhouse takes a research intensive, bottom-up approach to investing that is highly focused on business fundamentals. The Hillhouse Funds are limited partnerships incorporated under the laws of the Cayman Islands.

OZ Funds

Certain affiliated investment funds of Och-Ziff Capital Management Group LLC (collectively, the "**OZ Funds**") have agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$100 million at the Offer Price. Assuming the Offer Price of HK$20.68, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that the OZ Funds would subscribe for would be 37,493,200, representing approximately 0.54% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$22.74, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that the OZ Funds would subscribe for would be 34,096,600, representing approximately 0.49% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$24.80, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that the OZ Funds would subscribe for would be 31,264,400, representing approximately 0.45% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Each of the OZ Funds is incorporated or formed in the Cayman Islands, the British Virgin Islands or the State of Delaware, U.S.A. The investment manager of each of the OZ Funds is either OZ Management LP or OZ Management II LP, affiliates of Och-Ziff Capital Management Group LLC.

Och-Ziff Capital Management Group LLC is one of the largest institutional alternative asset managers in the world, with approximately US$47.2 billion in assets under management as of May 1, 2015.

NetEase Hong Kong and Sino Intelligence

NetEase (Hong Kong) Limited ("**NetEase Hong Kong**") and Sino Intelligence Limited ("**Sino Intelligence**") have agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$200 million (of which US$150 million by NetEase Hong Kong and US$50 million by Sino Intelligence) at the Offer Price. Assuming the Offer Price of HK$20.68, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that NetEase Hong Kong and Sino Intelligence would subscribe for would be 56,239,800 and 18,746,600 respectively, representing approximately 0.80% and 0.27% respectively of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$22.74, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that NetEase Hong Kong and Sino Intelligence would subscribe for would be 51,145,000 and 17,048,200 respectively, representing approximately 0.73% and 0.24% respectively of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$24.80, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that NetEase Hong Kong and Sino Intelligence would subscribe for would be 46,896,600 and 15,632,200 respectively, representing approximately 0.67% and 0.22% respectively of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

NetEase Hong Kong was incorporated in Hong Kong in November 2007. It is a wholly owned subsidiary of NetEase, Inc., a company listed on the NASDAQ Global Select Market (stock symbol: NTES). NetEase Hong Kong is principally engaged in providing online game services and investment holding.

Sino Intelligence is a company incorporated under the laws of the British Virgin Islands and is wholly owned by Mr. William Lei Ding. Mr. Ding is the founder, chief executive officer and a director of NetEase, Inc., and holds approximately 44.6% interests in NetEase, Inc..

Advance Data

Advance Data Services Limited ("**Advance Data**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$100 million at the Offer Price. Assuming the Offer Price of HK$20.68, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Advance Data would subscribe for would be 37,493,200, representing approximately 0.54% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$22.74, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Advance Data would subscribe for would be 34,096,600, representing approximately 0.49% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$24.80, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Advance Data would subscribe for would be 31,264,400, representing approximately 0.45% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Advance Data is an investment company incorporated in the British Virgin Islands. It is wholly owned by Mr. Ma Huateng, who is one of the founders of Tencent Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0700). Tencent Holdings Limited, together with its subsidiaries, are principally engaged in the provision of Internet and mobile value-added services (VAS), online advertising services and eCommerce transactions services to users in the PRC.

Fubon Life

Fubon Life Insurance Co., Ltd. ("**Fubon Life**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$200 million at the Offer Price. Assuming the Offer Price of HK$20.68, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Fubon Life would subscribe for would be 74,986,400, representing approximately 1.07% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$22.74, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Fubon Life would subscribe for would be 68,193,400, representing approximately 0.97% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$24.80, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Fubon Life would subscribe for would be 62,529,000, representing approximately 0.89% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Fubon Life is a company incorporated in Taiwan, which is wholly owned and controlled by Fubon Financial Holdings Co., Ltd.. Its principal activity includes life insurance products.

Value Partners

Value Partners Hong Kong Limited ("**Value Partners**") has agreed to procure certain investment funds or managed accounts that Value Partners or its subsidiary directly or indirectly has actual discretionary investment management power over, to subscribe for, and failing which Value Partners will subscribe for, such number of the Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$150 million at the Offer Price. Assuming the Offer Price of HK$20.68, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Value Partners would procure the subscription for (and failing which Value Partners would subscribe for) would be 56,239,800, representing approximately 0.80% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$22.74, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Value Partners would procure the subscription for (and failing which Value Partners would subscribe for) would be 51,145,000, representing approximately 0.73% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$24.80, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Value Partners would procure the subscription for (and failing which Value Partners would subscribe for) would be 46,896,600, representing approximately 0.67% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Value Partners (together with other subsidiaries under Value Partners Group Limited ("**Value Partners Group**")) was established in 1999. It acts as investment manager or investment advisor to certain investment funds. It is a wholly owned subsidiary of Value Partners Group, a company listed on the Hong Kong Stock Exchange (stock code: 806). Value Partners Group is one of Asia's largest independent asset management firms headquartered in Hong Kong. Value Partners Group manages absolute return long-biased funds, long-short hedge funds, exchange-traded funds, quantitative funds, as well as fixed income products for institutional and individual clients in the Asia Pacific, Europe and the United States.

New China Asset Management

New China Asset Management (Hong Kong) Limited ("**New China Asset Management**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$200 million at the Offer Price. Assuming the Offer Price of HK$20.68, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that New China Asset Management would subscribe for would be 74,986,400, representing approximately 1.07% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$22.74, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that New China Asset Management would subscribe for would be 68,193,400, representing approximately 0.97% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$24.80, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that New China Asset Management would subscribe for would be 62,529,000, representing approximately 0.89% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

New China Asset Management was established and jointly held by New China Asset Management Co., Ltd. ("**NCAM**") and New China Life Insurance Company Ltd. ("**NCL**") as to 60% and 40%, respectively. New China Asset Management is the offshore asset allocation and investment platform of NCL. Controlled by Central Huijin Investment Ltd., NCL is a nationwide life insurance company with leading market share in the life insurance sector. NCL was dual-listed in the Hong Kong Stock Exchange and Shanghai Stock Exchange in December 2011 (stock code: HK.1336; SH.601336). NCAM was established in July 2006 as a dedicated asset management firm, and over 97% of its shares are controlled by NCL. NCAM's business scope includes management of proprietary and insurance funds; discretionary mandates; consulting services related to asset management business; and management of other assets permitted by laws and regulations.

ICBC AM

ICBC Asset Management Scheme Nominee ("**ICBC AM**") has agreed to subscribe for, through China Asset Management Co., Ltd. (華夏基金管理有限公司), Invesco Great Wall Fund Management Co. Ltd (景順長城基金管理有限公司) and Bank of Communications Schroder Fund Management Co., Ltd. (交銀施羅德基金), being qualified domestic institutional investors, such number of the Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$200 million at the Offer Price. Assuming the Offer Price of HK$20.68, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that ICBC AM would subscribe for would be 74,986,400, representing approximately 1.07% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$22.74, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that ICBC AM would subscribe for would be 68,193,400, representing approximately 0.97% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$24.80, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that ICBC AM would subscribe for would be 62,529,000, representing approximately 0.89% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

ICBC AM is the asset management arm of Industrial and Commercial Bank of China Limited, the parent company of ICBC International Capital Limited (one of the Joint Global Coordinators and Joint Bookrunners) and ICBC International Securities Limited (one of the Joint Lead Managers and an underwriter in the Global Offering). ICBC AM offers comprehensive asset management services to different types of clients, including individuals, corporate clients, private banking clients and institutions in the PRC.

ICBC AM is considered a "connected client" of ICBC International Capital Limited and ICBC International Securities Limited under Appendix 6 to the Listing Rules. For details of the consent granted by the Hong Kong Stock Exchange under paragraph 5(1) of Appendix 6 to the Listing Rules, please see the section headed "Waivers and Consents from Strict Compliance with the Hong Kong Listing Rules — Cornerstone Investment by ICBC AM". Pursuant to the cornerstone investment agreement entered into with ICBC AM, unless with the prior written consent of, among others, the Company and the Joint Sponsors, ICBC AM shall not dispose of any of the H Shares subscribed for by it for a period of six months from the Listing Date.

Ping An Asset Management Co., Ltd.

The Ping An Shiny No. 1 asset management product ("**Ping An Scheme**") is the beneficiary of a proposed asset management arrangement to be entered into with a qualified domestic institutional investor, UBS SDIC Fund Management Co., Ltd., (the "**Ping An QDII Manager**") in the capacity of a qualified domestic institutional investor as asset manager of the Ping An QDII. Ping An Asset Management Co., Ltd. ("**PAAMC**") has (in its capacity as the entrusted manager to, and for and on behalf of, the Ping An Scheme) agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with US$100 million at the Offer Price. PAAMC (in its capacity as the entrusted manager to, and for and on behalf of, the Ping An Scheme) may elect to purchase the H Shares through the Ping An QDII Manager.

Assuming the Offer Price of HK$20.68, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that PAAMC would subscribe for would be 37,493,200, representing approximately 0.54% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$22.74, being the mid-point of the Offer Price range set out in this prospectus, the total number of

H Shares that PAAMC would subscribe for would be 34,096,600, representing approximately 0.49% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$24.80, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that PAAMC would subscribe for would be 31,264,400, representing approximately 0.45% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Ping An Insurance (Group) Company of China, Ltd. ("**Ping An Group**") is an integrated financial services group with three core businesses of insurance, banking and investment, enjoying parallel growth of its traditional and non-traditional financial businesses. Ping An Group's shares are listed on the Hong Kong Stock Exchange (stock code: 2318) and on the Shanghai Stock Exchange (stock code: 601318). PAAMC is one of the major asset management platforms of Ping An Group. As of December 31, 2014, PAAMC had RMB1.631952 trillion (USD266.70 billion) of assets under management.

Sequoia Gopher

Gopher Opportunity IV GP Limited ("**Gopher GP**") has agreed to procure Sequoia Gopher Fund LP (the "**Sequoia Gopher Offshore Fund**") to subscribe for (and failing which Gopher GP will subscribe for) and Gopher Asset Management Co., Ltd. ("**Gopher Manager**") has agreed to procure a contractual fund over which it has discretionary investment management power (the "**Sequoia Gopher Onshore Fund**") to subscribe for (and failing which Gopher Manager will subscribe for) such number of the Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$200 million at the Offer Price. Assuming the Offer Price of HK$20.68, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares for which the Gopher Manager and Gopher GP would collectively procure the subscription for (and failing which the Gopher Manager or Gopher GP would subscribe for) would be 74,986,400, representing approximately 1.07% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$22.74, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares for which the Gopher Manager and Gopher GP would collectively procure the subscription for (and failing which the Gopher Manager or Gopher GP would subscribe for) would be 68,193,400, representing approximately 0.97% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$24.80, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares for which the Gopher Manager and Gopher GP would collectively procure the subscription for (and failing which the Gopher Manager or Gopher GP would subscribe for) would be 62,529,000, representing approximately 0.89% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Gopher Asset Management Co., Ltd. may, on behalf of the Sequoia Gopher Onshore Fund, elect to purchase the H Shares through a qualified domestic institutional investor. The Sequoia Gopher Offshore Fund is an exempted limited partnership established under the laws of the Cayman Islands and can acquire the H Shares from the Company by itself.

Each of the Gopher GP and Gopher Manager is wholly controlled by Noah Holdings Limited. the Gopher asset management business is one of the major business lines independently operated by the internal management team of Noah Holdings Limited. Noah Holdings Limited is a leading wealth and asset management service provider with a focus on global wealth investment and asset allocation services for high net worth individuals and enterprises in China. Sequoia Capital, a private equity fund, has been one of the major shareholders of the New York Stock Exchange listed company Noah Holdings Limited since 2007.

Glow Land

Glow Land International Limited ("**Glow Land**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$100 million at the Offer Price. Assuming the Offer Price of HK$20.68, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Glow Land would subscribe for would be 37,493,200, representing approximately 0.54% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$22.74, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Glow Land would subscribe for would be 34,096,600, representing approximately 0.49% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$24.80, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Glow Land would subscribe for would be 31,264,400, representing approximately 0.45% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Glow Land is a company incorporated in Hong Kong wholly owned by Ms. Zhou Yanqi (周晏齊), and is principally engaged in investment and trading. As of December 31, 2014, Glow Land was the second largest shareholder of Heilan Home Co., Ltd. (海瀾之家股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600398) and which principal activities include the manufacturing and sale of garments as well as garment brand management.

Cinda Sinorock

Cinda Sinorock Global Portfolio Limited Partnership I ("**Cinda Sinorock**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$100 million at the Offer Price. Assuming the Offer Price of HK$20.68, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Cinda Sinorock would subscribe for would be 37,493,200, representing approximately 0.54% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$22.74, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Cinda Sinorock would subscribe for would be 34,096,600, representing approximately 0.49% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$24.80, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Cinda Sinorock would subscribe for would be 31,264,400, representing approximately 0.45% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Cinda Sinorock is a limited partnership established in the Cayman Islands to make, manage, supervise and dispose of investment in securities, shares and convertible bonds of listed companies or pre-IPO companies. It is controlled and managed by China Cinda Asset Management Co., Ltd., a joint stock company incorporated in the PRC with limited liability and the H-shares of which are listed on Main Board of the Hong Kong Stock Exchange (stock code: 1359).

Myriad

Myriad Opportunities Master Fund Limited ("**Myriad**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming the Offer Price of HK$20.68, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Myriad would subscribe for would be 18,746,600, representing approximately 0.27% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$22.74, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Myriad would subscribe for would be 17,048,200, representing approximately 0.24% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming the Offer Price of HK$24.80, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Myriad would subscribe for would be 15,632,200, representing approximately 0.22% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Myriad is the primary fund managed by Myriad Asset Management Limited, a Hong Kong-based independent asset management company established in 2011. Myriad is an Asia Pacific Integrated Multi-Strategy Fund investing across the corporate capital structure with a focus on equities, convertible bonds, credit and equity derivatives. Myriad seeks to maximize risk-adjusted investment returns from the best investment opportunities throughout the Asia Pacific region while emphasizing capital preservation.

CONDITIONS PRECEDENT

The subscription of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become unconditional by no later than the time and date as specified in those underwriting agreements (in accordance with their respective original terms, or as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties) and not having been terminated;

(ii) the Listing Committee of the Hong Kong Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares and that such approval or permission has not been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange; and

(iii) the respective representations, warranties, undertakings and acknowledgements of the relevant Cornerstone Investor under the relevant cornerstone investment agreement are and will be accurate and true in all material respects and there being no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the above Cornerstone Investors has agreed and undertaken that, without the prior written consent of our Company, the Joint Global Coordinators, the Joint Sponsors and the relevant underwriter (if applicable), it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date, dispose of (as defined in the respective cornerstone investment agreements) any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreements.

HONG KONG UNDERWRITERS

Joint Lead Managers

Huatai Financial Holdings (Hong Kong) Limited

J.P. Morgan Securities (Asia Pacific) Limited

UBS AG Hong Kong Branch

ICBC International Securities Limited

BNP Paribas Securities (Asia) Limited

China Merchants Securities (HK) Co., Limited

Credit Suisse (Hong Kong) Limited

Morgan Stanley Asia Limited

Goldman Sachs (Asia) L.L.C.

Citigroup Global Markets Asia Limited

Deutsche Bank AG, Hong Kong Branch

Nomura International (Hong Kong) Limited

ABCI Securities Company Limited

CCB International Capital Limited

GF Securities (Hong Kong) Brokerage Limited

Industrial Securities (Hong Kong) Capital Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis on the terms and conditions set out in this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 70,000,000 Hong Kong Offer Shares and the International Offering of initially 1,330,000,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the H Shares to be offered as mentioned in this prospectus pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, amongst others, the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst others, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall, after consultation with the Company where practicable, be entitled by notice (orally or in writing) to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

  (i) any event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a "**Relevant Jurisdiction**"); or

  (ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the equity securities, stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the

Hong Kong dollar or an appreciation of the Renminbi against any foreign currencies in or affecting any Relevant Jurisdiction); or

(iii) any moratorium, suspension or restriction in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange or the Tokyo Stock Exchange; or

(iv) any general moratorium on commercial banking activities in any Relevant Jurisdiction declared the relevant authorities, or any material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any Relevant Jurisdiction; or

(v) any new law or regulation, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws or regulations, in each case, in or affecting any Relevant Jurisdiction; or

(vi) a change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations, in any Relevant Jurisdiction, or any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or

(vii) any litigation or claim of any third party being threatened or instigated against any member of the Group; or

(viii) a Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified by any Authority (as defined below) from being a director of a company; or

(ix) a material contravention by any member of the Group of the SSE Listing Rules, the PRC Company Law or applicable laws; or

(x) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the H Shares (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xi) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (1) has or will have or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, financial or trading position of the Group as a whole; or (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) makes or will make it inadvisable or inexpedient or impracticable to proceed with the delivery of the H Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice, the preliminary offering circular or the final offering circular; or

(b) there has come to the notice of the Joint Global Coordinators:

(i) that any statement contained in any of this prospectus and the Application Forms (the "**Hong Kong Public Offering Documents**") and/or in any notices or announcements issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents and/or any notices or announcements issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Hong Kong Public Offering Documents and/or in any notices or announcements; or

(iii) any material breach of any of the obligations of the Company under the Hong Kong Underwriting Agreement; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of the Company as an indemnifying party pursuant to the Hong Kong Underwriting Agreement which liability has a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, financial or trading position of the Group, taken as a whole; or

(v) any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, financial or trading position of the Group, taken as a whole; or

(vi) any material breach of, or any event or circumstance rendering untrue or incorrect in any material respect, any of the representations, warranties, agreements and undertakings given by the Company under the Hong Kong Underwriting Agreement; or

(vii) any of the Reporting Accountants, or any of the counsel or adviser of the Company (other than the Joint Sponsors) has withdrawn its respective consent to the issue of this prospectus with the inclusion of its or his reports, letters and/or legal opinions (as the case may be) and references to its or his name included in the form and context in which it respectively appears.

Undertakings

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which our securities first commence dealings on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the Global Offering, the Over-allotment Option or any of the circumstances provided under Rule 10.08 of the Listing Rules.

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), we will not without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules (and only after the consent of any relevant PRC administrative, governmental or regulatory commission, board, body, authority or any political body, stock exchange, or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign or supranational ("**Authority**") (if so required) has been obtained):

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any equity securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any equity securities of the Company), or deposit any equity securities of the Company with a depositary in connection with the issue of depositary receipts;

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any equity securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any equity securities of the Company);

(c) enter into any transactions with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce, or publicly disclose, any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of equity securities of the Company, or in cash or otherwise (whether or not the issue of such equity securities of the Company, will be completed within the First Six-Month Period), provided that the foregoing restrictions shall not apply to the issue of H Shares by the Company pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option and any H Shares to be converted and transferred to NSSF).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), we enter into any of the transactions specified in paragraph (a), (b) or (c) above or offer to or agree to or announce or publicly disclose any intention to effect any such transaction, we have undertaken to take all reasonable steps to ensure that such transaction, agreement, announcement or disclosure (as the case may be) will not create a disorderly or false market in the securities of the Company.

Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in our Company

Except for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, it is expected that the International Underwriters would, severally and not jointly, agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 210,000,000 H Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 1.5% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay the underwriting commission attributable to such reallocated Hong Kong Offer Shares to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters). The underwriting commission was determined between our Company and the Hong Kong Underwriters after arm's length negotiations with reference to current market conditions. In addition, we may, in our sole discretion, pay to any or all Hong Kong Underwriters for its or their respective accounts an incentive fee up to 0.5% of the Offer Price per Hong Kong Offer Share.

The aggregate commissions and fees (including the maximum discretionary incentive fee), together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately RMB569.4 million (assuming (i) an Offer Price of HK$22.74 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), (ii) the full payment of the discretionary incentive fee and (iii) the Over-allotment Option is not exercised at all), are payable and borne by our Company.

Joint Sponsors' Fee

An amount of US$750,000 is payable by our Company as sponsor fees to each of the Joint Sponsors, totaling an amount of US$2,250,000.

Other Services Provided by the Underwriters

The Joint Global Coordinators and the Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this prospectus. Such Joint Global Coordinators and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of the H Shares.

INDEPENDENCE OF THE JOINT SPONSORS

Each of J.P. Morgan Securities (Far East) Limited and UBS Securities Hong Kong Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Huatai Financial Holdings (Hong Kong) Limited is a wholly-owned subsidiary of our Company and as such it is not independent of our Company.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of 70,000,000 H Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the section headed "—The Hong Kong Public Offering" below; and

(b) the International Offering of an aggregate of 1,330,000,000 H Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act.

Huatai Financial Holdings (Hong Kong) Limited, J.P. Morgan Securities (Asia Pacific) Limited, UBS AG Hong Kong Branch, ICBC International Capital Limited, BNP Paribas Securities (Asia) Limited and China Merchants Securities (HK) Co., Limited are the Joint Global Coordinators of the Global Offering.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares initially available under the Global Offering represents 20% of the enlarged share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of H Shares Initially Offered

We are initially offering 70,000,000 H Shares for subscription by the public in Hong Kong at the Offer Price, representing 5% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1% of the enlarged share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the section headed "—Conditions of the Global Offering" below.

Allocation

Allocation of our H Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 35,000,000 and 35,000,000, respectively. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 35,000,000 Hong Kong Offer Shares (being 50% of the 70,000,000 Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. An application has been made to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, provided the initial allocation of Offer Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-subscription, the Joint Global Coordinators shall apply a clawback mechanism following the closing of the application lists on the following basis:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 105,000,000 Offer Shares, representing 7.5% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer

Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 140,000,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 280,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Joint Global Coordinators deem appropriate. If the International Offering is not fully subscribed, the Joint Global Coordinators may decide in their absolute discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$24.80 per Offer Share plus brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "—Pricing and Allocation" below, is less than the maximum price of HK$24.80 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

The International Offering will consist of an initial offering of 1,330,000,000 Offer Shares, representing 95% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "—Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares, and/or hold or sell its H Shares, after the listing of our H Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 210,000,000 H Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it, to conduct any such stabilizing action. Such stabilizing action, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (ii) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Offer Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (v) selling or agreeing to sell any Offer Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the H Shares;
- there is no certainty regarding the extent to which or the time or period for which the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market may have an adverse impact on the market price of the H Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on Sunday, June 21, 2015, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares and therefore the price of the H Shares, could fall;
- the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by the applicants for, or investors in, acquiring the Offer Shares.

Over-allocation

Following any over-allocation of Offer Shares in connection with the Global Offering, the Joint Global Coordinators, their affiliates or any person acting on their behalf may cover such over-allocation by, among other methods, using H Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Offer Shares which can be over-allocated will not exceed the number of H Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 210,000,000 H Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on the Price Determination Date, which is expected to be on or around Friday, May 22, 2015 and in any event no later than Monday, May 25, 2015.

The Offer Price will not be more than HK$24.80 per Offer Share and is expected to be not less than HK$20.68 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of our Company (**www.htsc.com.cn**) and the website of the Stock Exchange (**www.hkexnews.hk**) an announcement/a supplemental prospectus (as appropriate) in connection with the reduction. Upon the issue of such announcement/ supplemental prospectus (as appropriate), the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such announcement/supplemental prospectus (as appropriate) will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such announcement/supplemental prospectus (as appropriate) so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 5% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of Hong Kong Offer Shares under the Hong Kong Public Offering are expected to be announced on Friday, May 29, 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.htsc.com.cn**) and the website of the Stock Exchange (**www.hkexnews.hk**).

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on or before Monday, May 25, 2015, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.htsc.com.cn**) and the website of the Stock Exchange (**www.hkexnews.hk**) on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Hong Kong Offer Shares—14. Dispatch/ Collection of H Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional (including the Underwriting Agreements not having been terminated in accordance with their terms at any time prior to 8:00 a.m. on the Listing Date).

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, H Shares to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option).

H SHARES WILL BE ELIGIBLE FOR CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, June 1, 2015, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, June 1, 2015. The H Shares will be traded in board lots of 200 H Shares. The stock code of the H Shares is 6886.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;

- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- are an associate (as defined in the Listing Rules) of any of the above;
- have been allocated or have applied for or indicated an interest in any Offer Shares under the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, May 19, 2015 until 12:00 noon on Friday, May 22, 2015 from:

(i) the following addresses of the following Hong Kong Underwriters:

Huatai Financial Holdings (Hong Kong) Limited	Room 5808-12, 58/F, The Center, 99 Queen's Road Central, Hong Kong
J.P. Morgan Securities (Asia Pacific) Limited	28/F, Chater House, 8 Connaught Road Central, Central, Hong Kong
UBS AG Hong Kong Branch	52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

(ii) or any of the following branches of the receiving banks:

(a) Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	Lee Chung Street Branch	29-31 Lee Chung Street, Chai Wan
Kowloon	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom

District	Branch Name	Address
New Territories	City One Sha Tin Branch	Shop Nos. 24-25, G/F, Fortune City One Plus, No. 2 Ngan Shing Street, ShaTin
	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun
	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long

(b) Standard Chartered Bank (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
	North Point Centre Branch	Shop G, G/F, North Point Centre, 284 King's Road, North Point
Kowloon	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
New Territories	Metroplaza Branch	Shop No. 175-176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung

(c) Bank of Communications Co., Ltd. Hong Kong Branch

District	Branch Name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Taikoo Shing Sub-Branch	Shop 38, G/F., Cityplaza 2, 18 Taikoo Shing Road
Kowloon	Cheung Sha Wan Plaza Sub-Branch	Unit G04, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
	Kwun Tong Sub-Branch	Shop A, G/F., Hong Ning Court, 55 Hong Ning Road, Kwun Tong
New Territories	Tsuen Wan Sub-Branch	G/F., Shop G9B-G11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road, Tsuen Wan
	Tai Po Sub-Branch	Shop No. 1, G/F., Wing Fai Plaza, 29-35 Ting Kok Road, Tai Po

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, May 19, 2015 until 12:00 noon on Friday, May 22, 2015 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to Bank of China (Hong Kong) Nominees Limited —HTSC Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, May 19, 2015 – 9:00 a.m. to 5:00 p.m.
- Wednesday, May 20, 2015 – 9:00 a.m. to 5:00 p.m.
- Thursday, May 21, 2015 – 9:00 a.m. to 5:00 p.m.
- Friday, May 22, 2015 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, May 22, 2015, the last application day or such later time as described in "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the H Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Forms

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "—2. Who Can Apply" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the White Form eIPO Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, May 19, 2015 until 11:30 a.m. on Friday, May 22, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, May 22, 2015 or such later time under "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under White Form eIPO more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "HTSC" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang—Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous

Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 200 Hong Kong Offer Shares. Instructions for more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, May 19, 2015 – 9:00 a.m. to 8:30 p.m.[(1)]
- Wednesday, May 20, 2015 – 8:00 a.m. to 8:30 p.m.[(1)]
- Thursday, May 21, 2015 – 8:00 a.m. to 8:30 p.m.[(1)]
- Friday, May 22, 2015 – 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, May 19, 2015 until 12:00 noon on Friday, May 22, 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, May 22, 2015, the last application day or such later time as described in "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the H Share Registrar, the receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, May 22, 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 200 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering—Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, May 22, 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, May 22, 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, May 29, 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company's website at **www.htsc.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.htsc.com.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, May 29, 2015;
- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, May 29, 2015 to 12:00 midnight on Thursday, June 4, 2015;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, May 29, 2015 to Monday, June 1, 2015; and
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, May 29, 2015 to Saturday, May 30, 2015 and Monday, June 1, 2015 at all the receiving banks branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$24.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering—Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, May 29, 2015.

14. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Friday, May 29, 2015. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Monday, June 1, 2015 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, May 29, 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, it/they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, May 29, 2015, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, May 29, 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, May 29, 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)**

  For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- **If you are applying as a CCASS Investor Participant**

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" above. You should check the announcement published by our

Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, May 29, 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, May 29, 2015, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, May 29, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) on or before Friday, May 29, 2015 by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, May 29, 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong

Public Offering in the manner specified in "—11. Publication of Results" above on Friday, May 29, 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, May 29, 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, May 29, 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, May 29, 2015.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

Date: May 19, 2015

The Directors
Huatai Securities Co., Ltd.

Huatai Financial Holdings (Hong Kong) Limited
J.P. Morgan Securities (Far East) Limited
UBS Securities Hong Kong Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Huatai Securities Co., Ltd. (華泰證券股份有限公司) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), comprising the consolidated statements of financial position of the Group and the statement of financial position of the Company as at December 31, 2012, 2013 and 2014 and the consolidated income statements and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flows statements of the Group, for each of the years ended December 31, 2012, 2013 and 2014 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated May 19, 2015 (the "Prospectus").

Approved by the People's Bank of China ("PBOC"), Jiangsu Securities Company (江蘇省證券公司), was incorporated in Nanjing, the People's Republic of China (the "PRC"), on April 9, 1991. The Company was renamed as Huatai Securities Limited Liability Company (華泰證券有限責任公司) on December 21, 1999 and then renamed as Huatai Securities Co., Ltd. (華泰證券股份有限公司) on December 7, 2007 as a result of the conversion into a joint stock limited liability company. On February 26, 2010, the Company listed its shares on the Shanghai Stock Exchange with the stock code 601688.

The Company has prepared its statutory consolidated financial statements in accordance with the "Accounting Standards for Business Enterprises" issued by the Ministry of Finance of the PRC (the "MOF") and other relevant regulations (collectively known as the "PRC GAAP"). Pan-China Certified Public Accountants LLP has audited the Company's Statutory PRC GAAP Financial Statements for the years ended December 31, 2012 and 2013. KPMG Huazhen (Special General Partnership) has audited the Company's Statutory PRC GAAP Financial Statements for the year ended December 31, 2014.

All subsidiaries of the Company have adopted December 31, as their financial year end date. Details of the Company's subsidiaries are set out in Note 23 of Section II. The statutory financial statements of the Company's subsidiaries were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the Relevant Periods were audited by KPMG Huazhen (Special General Partnership) under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company and its subsidiaries of the Group in respect of any period subsequent to December 31, 2014.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report and on the basis of preparation set out in Note 2 of Section II, a true and fair view of the state of affairs of the Group and the Company as at December 31, 2012, 2013 and 2014, and of the Group's consolidated results and cash flows for the Relevant Periods then ended.

I Financial Information

1 Consolidated income statements

(Expressed in thousands of Renminbi, unless otherwise stated)

	Section II Note	Year ended December 31, 2012	2013	2014
Revenue				
Fee and commission income	5	4,379,494	5,627,287	8,127,332
Interest income	6	1,584,314	2,516,166	4,850,805
Net investment gains	7	918,336	780,800	2,678,732
Total revenue		6,882,144	8,924,253	15,656,869
Other income and gains	8	129,122	75,994	321,616
Total revenue and other income		7,011,266	9,000,247	15,978,485
Fee and commission expenses	9	(869,130)	(981,371)	(1,650,054)
Interest expenses	10	(416,699)	(1,013,192)	(2,465,995)
Staff costs	11	(1,872,155)	(2,348,147)	(3,875,057)
Depreciation and amortization expenses	12	(343,662)	(338,064)	(312,331)
Business tax and surcharges		(300,354)	(429,371)	(660,140)
Other operating expenses	13	(1,295,703)	(1,185,566)	(1,367,392)
Reversal of/(provision for) impairment losses	14	3,543	24,082	(17,691)
Total expenses		(5,094,160)	(6,271,629)	(10,348,660)
Operating profit		1,917,106	2,728,618	5,629,825
Share of profit of associates		208,715	219,170	284,991
Profit before income tax		2,125,821	2,947,788	5,914,816
Income tax expense	15	(462,520)	(671,037)	(1,375,029)
Profit for the year		1,663,301	2,276,751	4,539,787
Attributable to:				
Shareholders of the Company		1,617,947	2,219,735	4,486,276
Non-controlling interests		45,354	57,016	53,511
		1,663,301	2,276,751	4,539,787
Basic and diluted earnings per share (in Renminbi per share)	18	0.29	0.40	0.80

I Financial Information—continued

2 Consolidated statements of profit or loss and other comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)

	Section II Note	Year ended December 31, 2012	2013	2014
Profit for the year		1,663,301	2,276,751	4,539,787
Other comprehensive income for the year				
Items that may be reclassified subsequently to profit or loss:				
Available-for-sale financial assets				
— Net changes in fair value		896,643	286,540	2,373,692
— Reclassified to profit or loss		(359,123)	(181,028)	(442,942)
Share of other comprehensive income of associates		16,949	5,168	11,344
Exchange differences on translation of financial statements in foreign currencies		(257)	(14,865)	(2,866)
Income tax impact		(134,380)	(26,378)	(464,289)
Total other comprehensive income for the year, net of tax	51	419,832	69,437	1,474,939
Total comprehensive income for the year		2,083,133	2,346,188	6,014,726
Attributable to:				
Shareholders of the Company		2,037,183	2,289,587	5,961,011
Non-controlling interests		45,950	56,601	53,715
Total		2,083,133	2,346,188	6,014,726

I Financial Information—continued

3 Consolidated statements of financial position

(Expressed in thousands of Renminbi, unless otherwise stated)

	Section II Note	As at December 31, 2012	2013	2014
Non-current assets				
Property and equipment	19	2,552,966	2,298,514	3,303,686
Investment properties	20	105,319	625,363	673,981
Goodwill	21	51,342	51,342	51,342
Other intangible assets	22	379,011	381,942	401,211
Interest in associates	24	1,190,760	1,631,098	1,874,488
Held-to-maturity investments	25	205,000	5,000	5,000
Available-for-sale financial assets	26	4,509,591	3,367,406	4,969,114
Financial assets held under resale agreements	27	—	368,000	2,400,120
Refundable deposits	28	3,608,043	3,530,103	4,482,845
Deferred tax assets	29	242,166	373,688	178,878
Other non-current assets	30	244,520	164,583	108,854
Total non-current assets		13,088,718	12,797,039	18,449,519
Current assets				
Accounts receivable	31	344,408	97,659	362,653
Other receivables and prepayments	32	321,396	1,137,573	2,057,220
Margin accounts receivable	33	6,401,538	19,852,225	64,636,739
Available-for-sale financial assets	26	6,377,731	5,318,370	4,307,034
Financial assets held under resale agreements	27	596,744	5,720,111	18,309,906
Financial assets at fair value through profit or loss	34	13,769,768	24,341,125	55,999,958
Derivative financial assets	35	—	—	20,815
Clearing settlement funds	36	304,084	639,168	544,255
Cash held on behalf of brokerage clients	37	33,309,770	29,129,968	71,536,310
Cash and bank balances	38	11,341,718	17,180,439	36,001,627
Total current assets		72,767,157	103,416,638	253,776,517
Total assets		85,855,875	116,213,677	272,226,036

I Financial Information—continued

3 Consolidated statements of financial position—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

	Section II Note	As at December 31, 2012	2013	2014
Current liabilities				
Short-term debt instruments issued	40	—	8,000,000	24,787,070
Placements from other financial institutions	41	600,000	1,085,000	1,500,000
Accounts payable to brokerage clients	42	34,497,963	30,842,572	70,228,405
Employee benefits payable	43	516,230	773,989	1,740,597
Other payables and accruals	44	8,164,149	18,030,342	56,802,319
Current tax liabilities		62,644	341,318	358,645
Financial assets sold under repurchase agreements	45	6,328,170	9,868,824	44,668,228
Derivative financial liabilities	35	16	3,055	730,743
Financial liabilities at fair value through profit or loss	46	102,808	—	9,245
Total current liabilities		50,271,980	68,945,100	200,825,252
Net current assets		22,495,177	34,471,538	52,951,265
Total assets less current liabilities		35,583,895	47,268,577	71,400,784
Non-current liabilities				
Long-term bonds	47	—	9,980,104	21,345,324
Long-term bank loans	48	—	—	138,658
Non-current employee benefits payable	43	137,418	318,869	705,434
Deferred tax liabilities	29	266,063	168,627	601,174
Financial assets sold under repurchase agreements	45	—	—	5,000,000
Other non-current liabilities	49	—	—	1,665,786
Total non-current liabilities		403,481	10,467,600	29,456,376
Net assets		35,180,414	36,800,977	41,944,408
Equity				
Share capital	50	5,600,000	5,600,000	5,600,000
Reserves	51	21,914,269	22,641,270	25,379,369
Retained profits		7,210,448	7,933,034	10,319,187
Total equity attributable to shareholders of the Company		34,724,717	36,174,304	41,298,556
Non-controlling interests		455,697	626,673	645,852
Total equity		35,180,414	36,800,977	41,944,408

I Financial Information—continued

4 Statement of financial position

(Expressed in thousands of Renminbi, unless otherwise stated)

	Section II Note	As at December 31, 2012	2013	2014
Non-current assets				
Property and equipment	19	2,464,959	2,244,971	3,244,687
Investment properties	20	98,037	533,653	587,924
Other intangible assets	22	374,801	375,652	392,437
Investments in subsidiaries	23	2,500,724	3,389,664	4,047,567
Interest in associates	24	1,190,760	1,334,098	1,602,713
Held-to-maturity investments	25	205,000	5,000	5,000
Available-for-sale financial assets	26	4,203,391	3,254,230	4,846,795
Financial assets held under resale agreements	27	—	368,000	482,600
Refundable deposits	28	322,111	706,284	1,267,519
Deferred tax assets	29	126,894	258,710	—
Other non-current assets	30	217,906	145,970	98,798
Total non-current assets		11,704,583	12,616,232	16,576,040
Current assets				
Accounts receivable	31	46,076	18,350	132,232
Other receivables and prepayments	32	200,305	815,710	1,180,132
Margin accounts receivable	33	6,078,962	19,324,069	64,497,968
Available-for-sale financial assets	26	4,280,554	2,907,366	3,278,954
Financial assets held under resale agreements	27	587,444	4,346,611	7,587,724
Financial assets at fair value through profit or loss	34	13,218,266	19,573,866	26,883,329
Derivative financial assets	35	—	—	17,329
Clearing settlement funds	36	686,839	1,101,483	974,429
Cash held on behalf of brokerage clients	37	31,119,231	26,561,927	66,934,461
Cash and bank balances	38	2,219,498	1,718,365	12,380,006
Total current assets		58,437,175	76,367,747	183,866,564
Total assets		70,141,758	88,983,979	200,442,604

I Financial Information—continued

4 Statement of financial position—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

	Section II Note	As at December 31, 2012	2013	2014
Current liabilities				
Short-term debt instruments issued	40	—	8,000,000	24,787,070
Placements from other financial institutions	41	600,000	1,085,000	1,500,000
Accounts payable to brokerage clients	42	29,362,835	25,992,250	63,032,501
Employee benefits payable	43	263,308	550,978	1,254,868
Other payables and accruals	44	2,109,527	1,336,673	6,371,409
Current tax liabilities		11,813	311,154	264,033
Financial assets sold under repurchase agreements	45	6,328,170	8,941,325	39,478,761
Derivative financial liabilities	35	16	3,055	729,314
Total current liabilities		38,675,669	46,220,435	137,417,956
Net current assets		19,761,506	30,147,312	46,448,608
Total assets less current liabilities		31,466,089	42,763,544	63,024,648
Non-current liabilities				
Long-term bonds	47	—	9,980,104	18,974,610
Long-term bank loans	48	—	—	138,658
Non-current employee benefits payable	43	—	94,433	405,375
Deferred tax liabilities	29	250,988	161,160	598,220
Financial assets sold under repurchase agreements	45	—	—	5,000,000
Other non-current liabilities	49	—	—	822,000
Total non-current liabilities		250,988	10,235,697	25,938,863
Net assets		31,215,101	32,527,847	37,085,785
Equity				
Share capital	50	5,600,000	5,600,000	5,600,000
Reserves	51	20,764,237	21,490,761	24,158,091
Retained profits		4,850,864	5,437,086	7,327,694
Total equity		31,215,101	32,527,847	37,085,785

I Financial Information—continued

5 Consolidated statements of changes in equity

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									
		Reserves								
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Note 50)	(Note 51)	(Note 51)	(Note 51)	(Note 51)	(Note 51)				
As at January 1, 2012	5,600,000	17,218,020	961,235	2,975,700	(89,492)	(20,687)	6,882,758	33,527,534	386,747	33,914,281
Change in equity for 2012										
Profit for the year	—	—	—	—	—	—	1,617,947	1,617,947	45,354	1,663,301
Other comprehensive income	—	—	—	—	419,493	(257)	—	419,236	596	419,832
Total comprehensive income	—	—	—	—	419,493	(257)	1,617,947	2,037,183	45,950	2,083,133
Capital injection by non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	23,000	23,000
Appropriation to surplus reserve	—	—	137,786	—	—	—	(137,786)	—	—	—
Appropriation to general reserve	—	—	—	312,471	—	—	(312,471)	—	—	—
Dividends declared for the year	—	—	—	—	—	—	(840,000)	(840,000)	—	(840,000)
As at December 31, 2012	5,600,000	17,218,020	1,099,021	3,288,171	330,001	(20,944)	7,210,448	34,724,717	455,697	35,180,414
As at January 1, 2013	5,600,000	17,218,020	1,099,021	3,288,171	330,001	(20,944)	7,210,448	34,724,717	455,697	35,180,414
Change in equity for 2013										
Profit for the year	—	—	—	—	—	—	2,219,735	2,219,735	57,016	2,276,751
Other comprehensive income	—	—	—	—	84,717	(14,865)	—	69,852	(415)	69,437
Total comprehensive income	—	—	—	—	84,717	(14,865)	2,219,735	2,289,587	56,601	2,346,188
Capital injection by non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	197,975	197,975
Appropriation to surplus reserve	—	—	203,746	—	—	—	(203,746)	—	—	—
Appropriation to general reserve	—	—	—	453,403	—	—	(453,403)	—	—	—
Dividends declared for the year	—	—	—	—	—	—	(840,000)	(840,000)	(83,600)	(923,600)
As at December 31, 2013	5,600,000	17,218,020	1,302,767	3,741,574	414,718	(35,809)	7,933,034	36,174,304	626,673	36,800,977

I Financial Information—continued

5 Consolidated statements of changes in equity—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									
		Reserves								
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Note 50)	(Note 51)	(Note 51)	(Note 51)	(Note 51)	(Note 51)				
As at January 1, 2014	5,600,000	17,218,020	1,302,767	3,741,574	414,718	(35,809)	7,933,034	36,174,304	626,673	36,800,977
Change in equity for 2014										
Profit for the year	—	—	—	—	—	—	4,486,276	4,486,276	53,511	4,539,787
Other comprehensive income	—	—	—	—	1,474,488	247	—	1,474,735	204	1,474,939
Total comprehensive income	—	—	—	—	1,474,488	247	4,486,276	5,961,011	53,715	6,014,726
Capital injection by non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	25	25
Capital transaction with non-controlling shareholders of a subsidiary	—	1,352	—	—	—	—	—	1,352	(24,587)	(23,235)
Appropriation to surplus reserve	—	—	390,087	—	—	—	(390,087)	—	—	—
Appropriation to general reserve	—	—	—	870,036	—	—	(870,036)	—	—	—
Dividends declared for the year	—	—	—	—	—	—	(840,000)	(840,000)	(9,974)	(849,974)
Other	—	1,889	—	—	—	—	—	1,889	—	1,889
As at December 31, 2014	5,600,000	17,221,261	1,692,854	4,611,610	1,889,206	(35,562)	10,319,187	41,298,556	645,852	41,944,408

I Financial Information—continued

6 Consolidated statements of cash flow

(Expressed in thousands of Renminbi, unless otherwise stated)

	Section II Note	Year ended December 31, 2012	2013	2014
Cash flows from operating activities:				
Profit before income tax		2,125,821	2,947,788	5,914,816
Adjustments for:				
Interest expenses		416,699	1,013,192	2,465,995
Share of profit of associates		(208,715)	(219,170)	(284,991)
Depreciation and amortization expenses		343,662	338,064	312,331
(Reversal of)/provision for impairment losses		(3,543)	(24,082)	17,691
Losses/(gains) on disposal of property and equipment, investment properties, and other intangible assets		2,692	425	(7,272)
Foreign exchange losses/(gains)		131	7,332	(2,745)
Net realized losses/(gains) from available-for-sale financial assets and other investments		225,776	3,523	(575,273)
Dividend income and interest income from available-for-sale financial assets and held-to-maturity investments		(106,487)	(189,188)	(177,379)
Unrealized fair value changes in financial instruments through profit or loss		147,180	738,113	(2,034,093)
Unrealized fair value changes in derivatives		16	(180,378)	720,272
Operating cash flows before movements in working capital		2,943,232	4,435,619	6,349,352
(Increase)/decrease in refundable deposits		(652,832)	77,940	(952,742)
Increase in margin accounts receivable		(3,834,967)	(13,450,686)	(44,790,093)
Decrease/(increase) in accounts receivables, other receivables and prepayments		57,969	(504,160)	(1,193,719)
Decrease/(increase) in financial assets held under resale agreements		495,960	(5,491,367)	(11,732,337)
Decrease/(increase) in financial instruments at fair value through profit or loss		5,704,884	(11,228,860)	(29,628,893)
Increase in restricted bank deposits		(1,142,835)	(2,403,655)	(4,005,086)
Decrease/(increase) in cash held on behalf of brokerage clients		6,232,089	4,179,802	(42,406,342)
(Decrease)/increase in accounts payable to brokerage clients		(6,209,602)	(3,655,391)	39,385,833
Increase in other payables and accruals		6,317,802	9,493,652	37,489,216
Increase in employee benefits payable and other non-current liabilities		98,113	439,210	2,175,172
(Decrease)/increase in financial assets sold under repurchase agreements		(2,717,387)	3,540,654	39,799,404
Increase in placements from other financial institutions		600,000	485,000	415,000
Cash generated from/(used in) operations		7,892,426	(14,082,242)	(9,095,235)
Income taxes paid		(567,739)	(647,699)	(1,194,634)
Interest paid		(415,062)	(466,018)	(883,627)
Net cash generated from/(used in) operating activities		6,909,625	(15,195,959)	(11,173,496)

I Financial Information—continued

6 Consolidated statements of cash flow—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

	Section II Note	Year ended December 31, 2012	2013	2014
Cash flows from investing activities:				
Proceeds on disposal of property and equipment, investment properties and other intangible assets		10,642	9,040	14,521
Dividends received from associates		81,000	81,000	100,600
Dividends and interest received from available-for-sale financial assets and other investments		106,487	185,666	706,829
Proceeds from other limited partners' interest in private equity		—	—	687,400
Proceeds on disposal of available-for-sale financial assets and held-to-maturity investments		—	2,465,872	1,536,260
Proceeds on disposal of an associate		—	—	36,433
Purchases of property and equipment, investment properties, other intangible assets and other non-current assets		(1,366,443)	(536,116)	(657,770)
Purchases of associates and other investments		—	(297,000)	(99,516)
Purchases of available-for-sale financial assets		(6,152,846)	—	—
Net cash (used in)/generated from investing activities		(7,321,160)	1,908,462	2,324,757
Cash flows from financing activities:				
Proceeds from non-controlling interests		23,000	197,975	25
Proceeds from issuance of short-term debt instruments		—	8,000,000	51,620,070
Proceeds from issuance of long-term bonds		—	10,000,000	11,358,351
Proceeds from bank loans		—	—	138,658
Debt paid		—	—	(34,833,000)
Short-term debt instruments interest paid		—	(164,751)	(436,986)
Dividends paid		(840,000)	(923,600)	(849,973)
Long-term bonds interest paid		—	—	(500,858)
Payment for other financing activities		(757)	(29,780)	(36,660)
Net cash (used in)/generated from financing activities		(817,757)	17,079,844	26,459,627
Net (decrease)/increase in cash and cash equivalents		(1,229,292)	3,792,347	17,610,888
Cash and cash equivalents at the beginning of the year		11,732,646	10,502,967	14,273,117
Effect of foreign exchange rate changes		(387)	(22,197)	(121)
Cash and cash equivalents at the end of the year	39	10,502,967	14,273,117	31,883,884

II Notes to the Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

1 GENERAL INFORMATION

Huatai Securities Co., Ltd. (華泰證券股份有限公司) (the "Company"), formerly known as Jiangsu Securities Co., was approved by the People's Bank of China ("PBOC"), and registered with the Administration for Industry and Commerce of Jiangsu Province on April 9, 1991, with a registered capital of RMB10 million. The Company was renamed as Huatai Securities Limited Liability Company (華泰證券有限責任公司) on December 21, 1999 and then renamed as Huatai Securities Co., Ltd. (華泰證券股份有限公司) on December 7, 2007 as a result of the conversion into a joint stock limited liability company.

As approved by the China Securities Regulatory Commission ("CSRC") pursuant to the Approval for the Initial Public Offering by Huatai Securities Co., Ltd. (Zheng Jian Fa Xing Zi [2010] No.138), the Company publicly issued RMB784,561,275 ordinary shares (A shares) on February 9, 2010, and was listed on the Shanghai Stock Exchange on February 26, 2010.

As at December 31, 2014, the Company's registered capital was RMB5.6 billion and the Company has a total of 5.6 billion issued shares of RMB1 each.

The registered address of the Company is No. 90 East Zhongshan Road, Nanjing City, Jiangsu Province. The Company and its subsidiaries (the "Group") principally engaged in securities and futures brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment advisory, asset management, margin financing and securities lending, agency sale of financial products, and other business activities approved by CSRC.

2 BASIS OF PREPARATION

(1) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section II.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the Financial Information, the Group has adopted all applicable new and revised IFRSs to the years ended December 31, 2012, 2013 and 2014 (the "Relevant Periods"), except for any new standards or interpretations that are not yet effective for the accounting period ended December 31, 2014. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended December 31, 2014 are set out in Note 59.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION—continued

(2) Basis of measurement

The Financial Information has been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: financial derivatives, non-derivative financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets. The methods used to measure fair value are discussed further in Note 3(e).

(3) Functional and presentation currency

The Financial Information is presented in Renminbi ("RMB"), which is the functional currency of the Group. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated. The Group translates the financial statements of subsidiaries from their respective functional currencies into the Group's functional currency if the subsidiaries' functional currencies are not the same as that of the Group.

(4) Use of estimates and judgments

The preparation of Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 3(x).

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized gains arising from intra-group transactions are eliminated in full in preparing the consolidated Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(a) Basis of consolidation—continued

(i) Subsidiaries and non-controlling interests—continued

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statements and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the reporting period between non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 3(a) (ii)).

(ii) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 3(b) and (l)). Any acquisition-date excess over cost, the Group's

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(a) Basis of consolidation—continued

(ii) Associates and joint ventures—continued

share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(e)).

In the Company's statement of financial position, investments in associates and joint venture of the Company are accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(b) Goodwill—continued

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 3(l)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(c) Foreign currency

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the PBOC, the State Administrative of Foreign Exchange or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the Relevant Periods. The resulting exchange differences are recognized in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the resulting exchange differences are recognized in profit or loss, except for the differences arising from the translation of available-for-sale financial assets, which are recognized as other comprehensive income in capital reserve.

The assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the end of reporting period. The equity items, excluding "retained earnings", are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. Upon disposal of a foreign operation, the cumulative amount of the translation differences recognized in shareholders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to insignificant risk of change in value.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(e) Financial instruments

(i) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognized in the statements of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs.

Financial assets and financial liabilities are categorized as follows:

Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

A financial asset or financial liability is classified at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition when:

- the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;
- the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or
- the separation of the embedded derivatives from the financial instrument is prohibited.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transaction costs that may occur on sale, and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(e) Financial instruments—continued

(i) Recognition and measurement of financial assets and financial liabilities—continued

directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses (see Note 3(e)(iii)).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than

- those that the Group, upon initial recognition, designated as at fair value through profit or loss or as available-for-sale; or
- those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortized cost using the effective interest method, less any impairment losses (see Note 3(e)(iii)). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when the Group becomes entitled to the dividend (see Note 3(r)(vi)). Foreign exchange gains or losses on available-for-sale financial assets are recognized in profit or loss (see Note 3(c)). Impairment losses are recognized in profit or loss (see Note 3(e)(iii)).

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(e) Financial instruments—continued

(i) Recognition and measurement of financial assets and financial liabilities—continued

Other fair value changes, other than impairment losses (see Note 3(e)(iii)), are recognized in other comprehensive income and presented in the fair value reserve within equity. When the investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

(ii) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the Relevant Periods. Where other pricing models are used, inputs are based on market data at the end of the Relevant Periods.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(e) Financial instruments—continued

(iii) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of the Relevant Periods to determine whether there is objective evidence of impairment. If any such evidence exists, impairment losses are provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial assets and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes, but not limited to:

- significant financial difficulty of the borrower or issuer;
- a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- disappearance of an active market for financial assets because of financial difficulties of the issuer;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loans and receivables

The Group assess impairment losses on a collective basis. Loans and receivables are grouped for similar aging characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

Held-to-maturity investments

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(e) Financial instruments—continued

(iii) Impairment of financial assets—continued

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayment and amortization and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

For the available-for-sale equity investment, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgment. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. A significant or prolonged decline in the fair value of an equity investment is an indicator of impairment in such investments where a decline in the fair value of equity investment below its initial cost by 50% or more; or fair value below cost for one year or longer, upon which impairment loss is recognized.

If, in a subsequent period, the fair value of an impaired available-for-sale debt investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognized in other comprehensive income.

For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognized in profit or loss. Any impairment loss in respect of available-for-sale equity investments carried at cost should not be reversed.

(iv) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognized when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire; or
- the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(e) Financial instruments—continued

(iv) Derecognition of financial assets and financial liabilities—continued

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognize the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognized only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by realizing the asset and settling the liability simultaneously.

(vi) Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all liabilities of the Group. Considerations received from issuance of equity instruments net of transaction costs are recognized in equity. Considerations and transaction costs paid by the Group for repurchasing its own equity instruments are deducted from equity.

(vii) Derivative financial instruments

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designed as hedge instrument are recognized in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

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

Derivative embedded in non-derivative host contracts are treated as separate derivative when their characteristics and risks are not closely related to those of the host contracts

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(e) Financial instruments—continued

(vii) Derivative financial instruments—continued

and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in profit or loss.

(f) Margin financing and securities lending

Margin financing and securities lending refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral.

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

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

(g) Financial assets held under resale and sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognized as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognized in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortized over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(h) Investments in subsidiaries

In the Group's consolidated Financial Information, investments in subsidiaries are accounted for in accordance with the principles described in Note 3(a).

In the Company's statements of financial position, investments in subsidiaries are accounted for using the cost method. The investment is stated at cost less impairment loss (Note 3(l)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(h) Investments in subsidiaries—continued

distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognizes its share of the cash dividends or profit distribution declared by the investees as investment income.

(i) Property and equipment and construction in progress

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labor;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

Costs of construction in progress are determined based on the actual expenditures incurred which include all necessary expenditures incurred during the construction period, borrowing costs eligible for capitalization and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use.

(ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(i) Property and equipment and construction in progress—continued

(iii) Depreciation

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives.

Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Types of assets	Estimated useful lives	Estimated residual values	Depreciation rates
Buildings	30-35 years	3%	2.77%-3.23%
Motor vehicles	5-8 years	3%	12.13%-19.40%
Electronic equipment	5 years	3%	19.40%
Furniture and fixtures	5 years	3%	19.40%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for using the cost model and stated in the Financial Information at cost less accumulated depreciation, and impairment losses (see Note 3(l)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

	Estimated useful lives	Estimated residual values	Depreciation rates
Investment property	30-35 years	3%	2.77%-3.23%

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(k) Other intangible assets

Intangible assets are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment loss (see Note 3(l)). For an intangible asset with finite useful life, its cost less impairment loss is amortized on the straight-line method over its estimated useful life.

The respective amortization periods for intangible assets are as follows:

Types of assets	Estimated useful lives
Land-use right	50 years
Software	2-3 years

An intangible asset is regarded as having an indefinite useful life and is not amortized when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

(l) Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each reporting date to determine whether there is any indication of impairment:

- property and equipment
- investment property
- other intangible assets
- equity investment in subsidiaries
- goodwill
- leasehold improvements and long-term deferred expenses

If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(l) Impairment of non-financial assets—continued

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds, which have a credit rating of at least AA from rating agency, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(m) Employee benefits—continued

(iv) Termination benefits—continued

terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(n) Income tax—continued

(ii) Deferred tax—continued

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(iii) Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(o) Operating leases

(i) Operating lease charges

Rental payments under operating leases are recognized as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are recognized as expenses in the accounting period in which they are incurred.

(ii) Assets leased out under operating leases

Property and equipment leased out under operating leases are depreciated in accordance with the Group's depreciation policies described in Note 3(i)(iv). Impairment losses are recognized in accordance with the accounting policies described in Note 3(l). Income derived from operating leases is recognized in the profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalized and subsequently amortized in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Contingent rentals are recognized as income in the accounting period in which they are earned.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(p) Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Revenue is recognized when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

(i) Commission income from brokerage business

Brokerage commission income is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognized when the related services are rendered.

(ii) Underwriting and sponsor fees

Underwriting and sponsor fees are recognized when the obligation of underwriting or sponsorship is completed, that is, the economic interests may flow into the Group and the relevant revenue and costs may be calculated reliably.

(iii) Advisory fees

Revenue arising from advisory services is recognized on completion of such services.

(iv) Asset management fees

Asset management fees are recognized when the Group is entitled to receive the income under the asset management agreement.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(r) Revenue recognition—continued

(v) Interest income

Interest income is recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

(vi) Dividend income

Dividend income is recognized when the right to receive income is established. Usually this is the ex-dividend date for equity investments.

(vii) Other income

Other income is recognized on an accrual basis.

(s) Expenses recognition

(i) Commission expenses

Commission expenses relate mainly to transactions, which are recognized as expenses when the services are received.

(ii) Interest expenses

Interest expenses are recognized based on the principal outstanding and at the effective interest rate applicable.

(iii) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the terms of the respective leases. Lease incentives received are recognized as an integral part of the total lease expenses, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(s) Expenses recognition—continued

(iv) Other expenses

Other expenses are recognized on an accrual basis.

(t) Dividend distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorized and declared after the end of the Relevant Periods, are not recognized as a liability at the end of the Relevant Periods but disclosed in the notes to the financial statements separately.

(u) Government grants

Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognized in profit or loss as other income on a systematic basis in the periods in which the expenses are recognized.

(v) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group and the Company include, but are not limited to:

(a) the Company's parent;

(b) the Company's subsidiaries;

(c) enterprises that are controlled by the Company's parent;

(d) investors that have joint control or exercise significant influence over the Group;

(e) enterprises or individuals if a party has control or joint control over both the enterprises or individuals and the Group;

(f) joint ventures of the Group, including subsidiaries of joint ventures;

(g) associates of the Group, including subsidiaries of associates;

(h) principal individual investors of the Group and close family members of such individuals;

(i) key management personnel of the Group and close family members of such individuals;

(j) key management personnel of the Company's parent;

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(v) Related parties—continued

(k) close family members of key management personnel of the Company's parent;

(l) other enterprises that are controlled or jointly controlled by the principal individual investors, key management personnel of the Group, and close family members of such individuals; and

(m) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(w) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organization, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

(x) Significant accounting estimates and judgments

The preparation of Financial Information requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

(i) Impairment of available-for-sale financial assets and held-to-maturity investments

In determining whether there is any objective evidence that impairment has occurred on available-for-sale financial assets and held-to-maturity investments, we assess periodically whether there has been a significant or prolonged decline in the fair value of the investments below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects,

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(x) Significant accounting estimates and judgments—continued

(i) Impairment of available-for-sale financial assets and held-to-maturity investments—continued

including industry outlook, technological changes as well as operating and financing cash flows. This requires a significant level of management judgment which would affect the amount of impairment losses.

(ii) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis and option pricing models. The Group has established a work flow to ensure that the valuation techniques are constructed by qualified personnel and are validated and reviewed by independent personnel. Valuation techniques are certified and calibrated before implementation to ensure the valuation result reflects the actual market conditions. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(iii) Classification of financial asset and liability

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the Group has determined that it meets the definition of trading assets and liabilities set out in Note 3 (e)(i).
- In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in Note 3 (e)(i).
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intent and ability to hold the assets until their maturity date as required by accounting policy set out in Note 3 (e)(i). In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgments. Failure in correctly assessing the Group's intent and ability to hold specific investments until maturity may result in reclassification of the whole portfolio as available-for-sale.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(x) Significant accounting estimates and judgments—continued

(iv) Impairment of receivables

Receivables that are measured at amortized cost are reviewed at each end of reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor and other factors. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognized in prior years is reversed.

(v) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgments are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(vi) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(vii) Depreciation and amortization

Property and equipment, investment property, intangible assets, leasehold improvements and long-term deferred expenses are depreciated and amortized using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES—continued

(x) Significant accounting estimates and judgments—continued

(vii) Depreciation and amortization—continued

amortization costs charged in each of the Relevant Periods. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortization, the amount of depreciation or amortization will be revised.

(viii) Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For asset management schemes where the Group involves as the manager, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance indicating that the Group is a principal. The asset management scheme shall be consolidated if the Group acts in the role of principal.

4 TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Business tax	Based on taxable revenue	5%
Value added tax	Based on taxable revenue	17%
City maintenance and construction tax	Based on business tax and value added tax paid	5%-7%
Education surcharge	Based on business tax and value added tax paid	2%-3%
Income tax	Based on taxable profits	16.5%-25%

The income tax rate applicable to the Company and its domestic subsidiaries is 25%. The income tax rate applicable to subsidiaries in Hong Kong is 16.5%.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

5 FEE AND COMMISSION INCOME

	Year ended December 31,		
	2012	2013	2014
Income from securities brokerage and advisory business	3,209,923	4,546,162	6,422,861
Income from futures brokerage business	302,556	289,176	225,412
Income from underwriting and sponsorship business	651,275	410,525	799,034
Income from financial advisory business	141,833	204,755	435,026
Income from asset management business	73,907	176,669	244,999
Total	4,379,494	5,627,287	8,127,332

6 INTEREST INCOME

	Year ended December 31,		
	2012	2013	2014
Interest income from financial institutions	1,140,130	1,063,850	1,458,238
Interest income from margin financing and securities lending	419,291	1,223,737	2,466,704
Interest income from securities-backed lending and stock repurchases	2,985	180,807	496,632
Interest income from other financial assets held under resale agreements	10,332	24,664	97,597
Others	11,576	23,108	331,634
Total	1,584,314	2,516,166	4,850,805

7 NET INVESTMENT GAINS

	Year ended December 31,		
	2012	2013	2014
Net realized (losses)/gains from disposal of available-for-sale financial assets	(225,776)	(3,523)	569,354
Dividend income and interest income from available-for-sale financial assets	106,258	188,882	177,150
Net realized gains/(losses) from disposal of financial instruments at fair value through profit or loss	270,093	(10,726)	1,969,733
Dividend income and interest income from financial instruments at fair value through profit or loss	532,956	993,037	1,128,720
Net realized gains/(losses) from disposal of derivative financial instruments	278,823	183,897	(2,314,692)
Interest income from held-to-maturity investments	229	306	229
Unrealized fair value changes of financial instruments at fair value through profit or loss	147,180	(738,113)	2,034,093
Unrealized fair value changes of derivative financial instruments	(191,427)	167,040	(891,774)
Others	—	—	5,919
Total	918,336	780,800	2,678,732

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

8 OTHER INCOME AND GAINS

	Year ended December 31,		
	2012	2013	2014
Government grants	16,681	6,742	25,376
Rental income	9,746	32,063	38,969
Gains on disposal of property and equipment, investment properties, and other intangible assets	921	2,934	11,864
Income from commodity sales	—	—	186,473
Others	101,774	34,255	58,934
Total	129,122	75,994	321,616

The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

9 FEE AND COMMISSION EXPENSES

	Year ended December 31,		
	2012	2013	2014
Expenses for securities brokerage and advisory business	741,381	936,475	1,546,404
Expenses for futures brokerage business	—	6,546	47,808
Expenses for underwriting and sponsorship business	127,253	37,732	53,701
Expenses for asset management business	496	618	2,141
Total	869,130	981,371	1,650,054

10 INTEREST EXPENSES

	Year ended December 31,		
	2012	2013	2014
Interest expenses on financial assets sold under repurchase agreements	237,559	253,166	846,552
Interest expenses of accounts payable to brokerage clients	157,944	114,302	140,546
Interest expenses on placements	20,572	126,381	145,740
Interest expenses on short-term debt instruments issued	—	226,896	573,503
Interest expenses on long-term bonds	—	288,954	758,342
Others	624	3,493	1,312
Total	416,699	1,013,192	2,465,995

11 STAFF COSTS

	Year ended December 31,		
	2012	2013	2014
Salaries, bonuses and allowances	1,546,876	2,029,325	3,512,336
Contribution to pension schemes	108,691	108,967	128,050
Other social welfare	216,588	209,855	234,671
Total	1,872,155	2,348,147	3,875,057

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

11 STAFF COSTS—continued

The domestic employees of the Group in the PRC participate in social plans, including pension, medical, housing, and other welfare benefits, organized and administered by the governmental authorities. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on regular basis and paid to the labor and social welfare authorities. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred.

12 DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended December 31,		
	2012	2013	2014
Depreciation of property and equipment	199,684	163,216	149,549
Depreciation of investment properties	4,268	18,370	19,504
Amortization of other intangible assets	32,312	50,490	60,566
Amortization of leasehold improvements and long-term deferred expenses	107,398	105,988	82,712
Total	343,662	338,064	312,331

13 OTHER OPERATING EXPENSES

	Year ended December 31,		
	2012	2013	2014
Rental expenses	223,741	218,978	222,601
Postal and communication expenses	161,074	145,697	120,431
Business entertainment expenses	155,993	135,205	105,507
Consulting fees	80,312	73,525	57,180
Business travel expenses	67,395	68,012	70,545
Utilities	39,944	37,945	32,250
IT expenses	39,559	38,919	33,875
Securities investor protection funds	34,559	45,118	57,017
Auditors' remuneration	2,173	2,444	3,920
Cost of commodity sales	—	—	192,089
Others	490,953	419,723	471,977
Total	1,295,703	1,185,566	1,367,392

14 REVERSAL OF/(PROVISION FOR) IMPAIRMENT LOSSES

	Year ended December 31,		
	2012	2013	2014
(Provision for)/reversal of impairment losses against accounts receivable	(93)	83	(343)
Reversal of/(provision for) impairment losses against other receivables	4,036	65,185	(8,735)
Provision for impairment losses against margin accounts receivable	—	—	(5,578)
Provision for impairment losses against available-for-sale financial assets	(400)	(41,186)	(409)
Provision for impairment losses against investment properties	—	—	(2,626)
Total	3,543	24,082	(17,691)

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

15 INCOME TAX EXPENSE

(a) Taxation in the consolidated income statements represents:

	Year ended December 31,		
	2012	2013	2014
Current tax			
—PRC income tax	427,178	905,263	1,215,873
—Hong Kong profits tax	2,219	712	—
	429,397	905,975	1,215,873
Adjustment in respect of prior years			
—PRC income tax	39,149	20,398	(3,933)
—Hong Kong profits tax	—	—	21
	39,149	20,398	(3,912)
Deferred tax			
Origination and reversal of temporary differences	(6,026)	(255,336)	163,068
Total	462,520	671,037	1,375,029

(i) According to the PRC Corporate Income Tax ("CIT") Law that took effect on January 1, 2008, the Company and the Group's PRC subsidiaries are subject to CIT at the statutory tax rate of 25%.

(ii) Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits for the year.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rate:

	Year ended December 31,		
	2012	2013	2014
Profit before income tax	2,125,821	2,947,788	5,914,816
National tax calculated using the PRC statutory tax rate	531,455	736,947	1,478,704
Tax effect of non-deductible expenses	30,359	27,765	30,855
Tax effect of non-taxable income	(121,956)	(114,475)	(120,428)
Tax effect of unused tax losses not recognized	—	410	4,068
Effect of different tax rates of the subsidiary	(918)	(1,168)	2,060
Utilization of tax losses previously not recognized	—	—	(410)
Adjustment for prior years	39,149	20,398	(3,912)
Others	(15,569)	1,160	(15,908)
Actual income tax expense	462,520	671,037	1,375,029

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

16 DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and supervisors who held office during the Relevant Periods is as follows:

	Year ended December 31, 2012				
Name	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Total
Executive directors					
Wu Wanshan	—	989	31	1,483	2,503
Pan Jianqiu(2)	—	989	31	1,483	2,503
Zhou Yi	—	989	31	1,483	2,503
Non-executive directors					
Xu Zujian(1)(10)	—	—	—	—	—
Wang Shuhua(1)	—	—	—	—	—
Lu Jianping(1)(4)	—	—	—	—	—
Sun Hongning(1)	—	—	—	—	—
Xue Binghai(1)(14)	—	—	—	—	—
Cai Biao(1)	—	—	—	—	—
Ying Wenlu(1)	—	—	—	—	—
Wang Huijuan(1)(15)	—	—	—	—	—
Independent non-executive directors					
Chen Chuanming(6)	120	—	—	—	120
Fan Conglai(6)	120	—	—	—	120
Wu Jingmei(6)	120	—	—	—	120
Chen Yingming(6)	120	—	—	—	120
Wang Huacheng(6)	120	—	—	—	120
Bai Wei	120	—	—	—	120
Supervisors					
Yu Yimin(1)	—	—	—	—	—
Pu Baoying(1)(3)	—	—	—	—	—
Du Wenyi(1)	—	—	—	—	—
Xu Shigang(1)(8)	—	—	—	—	—
Mao Huipeng(1)	—	—	—	—	—
Wang Ying(1)(8)	—	—	—	—	—
Chen Liangxun(8)	—	380	31	264	675
Qiang Ying(9)	—	830	31	550	1,411
Zhao Maofu(8)	—	310	31	210	551
Total	720	4,487	186	5,473	10,866

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

16 DIRECTORS' AND SUPERVISORS' REMUNERATION—continued

	Year ended December 31, 2013				
Name	**Directors' fees**	**Salaries, allowances and benefits in kind**	**Contribution to pension schemes**	**Discretionary bonuses**	**Total**
Executive directors					
Wu Wanshan	—	960	33	2,253	3,246
Pan Jianqiu(2)	—	960	33	1,375	2,368
Zhou Yi	—	960	33	2,253	3,246
Non-executive directors					
Xu Zujian(1)(10)	—	—	—	—	—
Wang Shuhua(1)	—	—	—	—	—
Pu Baoying(1)(3)	—	—	—	—	—
Sun Hongning(1)	—	—	—	—	—
Xue Binghai(1)(14)	—	—	—	—	—
Cai Biao(1)	—	—	—	—	—
Ying Wenlu(1)	—	—	—	—	—
Wang Huijuan(1)(15)	—	—	—	—	—
Lu Jianping(1)(4)	—	—	—	—	—
Independent non-executive directors					
Bai Wei	120	—	—	—	120
Wang Shiding(5)(13)	10	—	—	—	10
Shen Kunrong(5)	10	—	—	—	10
Liu Hongzhong(5)	10	—	—	—	10
Zhang Jie(5)	10	—	—	—	10
Chen Chuanming(6)	110	—	—	—	110
Fan Conglai(6)	110	—	—	—	110
Wu Jingmei(6)	110	—	—	—	110
Chen Yingming(6)	110	—	—	—	110
Wang Huacheng(6)	110	—	—	—	110
Supervisors					
Yu Yimin(1)	—	—	—	—	—
Pu Baoying(1)(3)	—	—	—	—	—
Gao Xu(1)(7)	—	—	—	—	—
Du Wenyi(1)	—	—	—	—	—
Song Weibin(1)(7)	—	—	—	—	—
Mao Huipeng(1)	—	—	—	—	—
Dong Junzheng(1)(7)	—	—	—	—	—
Peng Min(7)	—	480	33	333	846
Zhou Xiang(7)	—	430	33	291	754
Zhang Hui(7)	—	450	33	300	783
Xu Shigang(1)(8)	—	—	—	—	—
Wang Ying(1)(8)	—	—	—	—	—
Chen Liangxun(8)	—	310	33	209	552
Zhao Maofu(8)	—	330	33	219	582
Qiang Ying(9)	—	—	—	—	—
Total	710	4,880	264	7,233	13,087

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

16 DIRECTORS' AND SUPERVISORS' REMUNERATION—continued

	Year ended December 31, 2014				
Name	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Total
Executive directors					
Wu Wanshan	—	1,063	35	3,178	4,276
Zhou Yi	—	1,063	35	3,178	4,276
Non-executive directors					
Xu Zujian(1)(10)	—	—	—	—	—
Sun Lu(1)(11)	—	—	—	—	—
Wang Shuhua(1)	—	—	—	—	—
Pu Baoying(1)(3)	—	—	—	—	—
Sun Hongning(1)	—	—	—	—	—
Xue Binghai(1)(14)	—	—	—	—	—
Cai Biao(1)	—	—	—	—	—
Ying Wenlu(1)	—	—	—	—	—
Wang Huijuan(1)(15)	—	—	—	—	—
Independent non-executive directors					
Bai Wei	120	—	—	—	120
Shen Kunrong(5)	120	—	—	—	120
Liu Hongzhong(5)	120	—	—	—	120
Zhang Jie(5)	120	—	—	—	120
Wang Quanzhou(12)	40	—	—	—	40
Wang Shiding(5)(13)	80	—	—	—	80
Supervisors					
Yu Yimin(1)	—	—	—	—	—
Gao Xu(1)(7)	—	—	—	—	—
Du Wenyi(1)	—	—	—	—	—
Song Weibin(1)(7)	—	—	—	—	—
Mao Huipeng(1)	—	—	—	—	—
Dong Junzheng(1)(7)	—	—	—	—	—
Peng Min(7)	—	498	35	1,603	2,136
Zhou Xiang(7)	—	467	35	1,338	1,840
Zhang Hui(7)	—	443	35	1,302	1,780
Total	600	3,534	175	10,599	14,908

(1) The remunerations of these non-executive directors and supervisors of the Company were borne by its shareholders and other related parties including Jiangsu Guoxin Investment Group Limited, Jiangsu Communications Holding Company Limited, Jiangsu High Hope International Group Co., Ltd., Govtor Capital Group Co., Ltd., Jiangsu SOHO Holdings Group Co., Ltd. and Guohua Energy Investment Co., Ltd.. No allocation of the remunerations between these related parties and the Group has been made during the Relevant Periods.
(2) Resigned as executive director on November 28, 2013.
(3) Ceased to be supervisor on November 28, 2013 and appointed as non-executive director on November 29, 2013.
(4) Resigned as non-executive director on November 28, 2013.
(5) Appointed as independent non-executive director on November 29, 2013.
(6) Resigned as independent non-executive directors on November 28, 2013.
(7) Appointed as supervisors on November 29, 2013.
(8) Resigned as supervisors on November 28, 2013.
(9) Resigned as supervisor on March 18, 2013.
(10) Resigned as non-executive director on September 15, 2014.
(11) Appointed as non-executive director on September 16, 2014.
(12) Appointed as independent non-executive director on September 11, 2014.
(13) Resigned as independent non-executive director on September 10, 2014.
(14) Resigned as non-executive director on January 20, 2015.
(15) Resigned as non-executive director on February 16, 2015.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

16 DIRECTORS' AND SUPERVISORS' REMUNERATION—continued

There were no amounts paid during the Relevant Periods to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join. There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods.

17 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments are as follows:

	Year ended December 31,		
	2012	2013	2014
Salaries and allowances	3,748	6,625	5,110
Discretionary bonuses	35,539	20,285	25,042
Employer's contribution to pension schemes	205	294	262
Total	39,492	27,204	30,414

The emoluments with the highest emoluments are within the following bands:

	Year ended December 31,		
	2012	2013	2014
	Number of individuals	Number of individuals	Number of individuals
HKD 5,000,001 to HKD 5,500,000	1	2	—
HKD 5,500,001 to HKD 6,000,000	1	1	—
HKD 6,000,001 to HKD 6,500,000	—	—	—
HKD 6,500,001 to HKD 7,000,000	—	1	—
HKD 7,000,001 to HKD 7,500,000	1	—	3
HKD 7,500,001 to HKD 8,000,000	—	—	—
HKD 8,000,001 to HKD 8,500,000	1	—	1
HKD 8,500,001 to HKD 9,000,000	—	—	1
HKD 10,000,001 to HKD 15,000,000	—	1	—
HKD 15,000,001 to HKD 20,000,000	—	—	—
HKD 20,000,001 to HKD 25,000,000	1	—	—

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the Relevant Periods.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

18 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year. There has been no change in the number of ordinary shares during the Relevant Periods.

	Year ended December 31,		
	2012	**2013**	**2014**
Profit attributable to shareholders of the Company	1,617,947	2,219,735	4,486,276
Weighted average number of ordinary shares in issue (thousands)	5,600,000	5,600,000	5,600,000
Basic and diluted earnings per share attributable to equity shareholders (in Renminbi per share)	0.29	0.40	0.80

For the years ended December 31, 2012, 2013 and 2014, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

19 PROPERTY AND EQUIPMENT

The Group

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at January 1, 2012	799,042	148,618	861,373	76,708	373,272	2,259,013
Additions	7,372	5,149	31,654	23,184	1,224,502	1,291,861
Transfer during the year (Note 30)	34,060	—	—	—	(46,042)	(11,982)
Transfer to investment properties (Note 20)	—	—	—	—	—	—
Disposals	—	(10,008)	(116,452)	(12,586)	—	(139,046)
As at December 31, 2012	840,474	143,759	776,575	87,306	1,551,732	3,399,846
Accumulated depreciation						
As at January 1, 2012	(192,244)	(60,630)	(476,940)	(43,238)	—	(773,052)
Charge for the year	(23,219)	(16,784)	(135,852)	(23,829)	—	(199,684)
Transfer to investment properties (Note 20)	—	—	—	—	—	—
Disposals	—	7,919	110,141	7,796	—	125,856
As at December 31, 2012	(215,463)	(69,495)	(502,651)	(59,271)	—	(846,880)
Carrying amount						
As at December 31, 2012	625,011	74,264	273,924	28,035	1,551,732	2,552,966
Cost						
As at January 1, 2013	840,474	143,759	776,575	87,306	1,551,732	3,399,846
Additions	3,854	10,162	20,564	3,108	375,866	413,554
Transfer during the year (Note 30)	603,233	—	—	—	(613,927)	(10,694)
Transfer to investment properties (Note 20)	(50,216)	—	—	—	(442,076)	(492,292)
Disposals	(5,578)	(2,781)	(102,079)	(6,768)	—	(117,206)
As at December 31, 2013	1,391,767	151,140	695,060	83,646	871,595	3,193,208
Accumulated depreciation						
As at January 1, 2013	(215,463)	(69,495)	(502,651)	(59,271)	—	(846,880)
Charge for the year	(31,359)	(16,372)	(103,589)	(11,896)	—	(163,216)
Transfer to investment properties (Note 20)	7,582	—	—	—	—	7,582
Disposals	1,916	2,281	97,786	5,837	—	107,820
As at December 31, 2013	(237,324)	(83,586)	(508,454)	(65,330)	—	(894,694)
Carrying amount						
As at December 31, 2013	1,154,443	67,554	186,606	18,316	871,595	2,298,514

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

19 PROPERTY AND EQUIPMENT—continued

The Group

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at January 1, 2014	1,391,767	151,140	695,060	83,646	871,595	3,193,208
Additions	1,781	1,225	42,582	13,400	1,186,332	1,245,320
Transfer during the year (Note 30)	—	—	—	—	(12,602)	(12,602)
Transfer to investment properties (Note 20)	(79,011)	—	—	—	—	(79,011)
Disposals	(3,656)	(3,758)	(157,056)	(9,749)	—	(174,219)
As at December 31, 2014	1,310,881	148,607	580,586	87,297	2,045,325	4,172,696
Accumulated depreciation						
As at January 1, 2014	(237,324)	(83,586)	(508,454)	(65,330)	—	(894,694)
Charge for the year	(38,829)	(15,440)	(88,928)	(6,352)	—	(149,549)
Transfer to investment properties (Note 20)	8,110	—	—	—	—	8,110
Disposals	1,305	3,162	153,775	8,881	—	167,123
As at December 31, 2014	(266,738)	(95,864)	(443,607)	(62,801)	—	(869,010)
Carrying amount						
As at December 31, 2014	1,044,143	52,743	136,979	24,496	2,045,325	3,303,686

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

19 PROPERTY AND EQUIPMENT—continued

The Company

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at January 1, 2012	741,184	108,719	805,880	84,183	373,272	2,113,238
Additions	7,371	3,746	41,392	6,905	1,224,502	1,283,916
Transfer during the year (Note 30)	34,060	—	—	—	(46,042)	(11,982)
Transfer to investment properties (Note 20)	—	—	—	—	—	—
Disposals	—	(8,934)	(116,205)	(11,680)	—	(136,819)
As at December 31, 2012	782,615	103,531	731,067	79,408	1,551,732	3,248,353
Accumulated depreciation						
As at January 1, 2012	(186,328)	(45,441)	(444,403)	(47,358)	—	(723,530)
Charge for the year	(21,560)	(11,203)	(137,831)	(14,042)	—	(184,636)
Transfer to investment properties (Note 20)	—	—	—	—	—	—
Disposals	—	7,324	109,672	7,776	—	124,772
As at December 31, 2012	(207,888)	(49,320)	(472,562)	(53,624)	—	(783,394)
Carrying amount						
As at December 31, 2012	574,727	54,211	258,505	25,784	1,551,732	2,464,959
Cost						
As at January 1, 2013	782,615	103,531	731,067	79,408	1,551,732	3,248,353
Additions	2,297	8,962	12,904	2,356	375,866	402,385
Transfer during the year (Note 30)	603,233	—	—	—	(613,927)	(10,694)
Transfer to investment properties (Note 20)	(11,612)	—	—	—	(442,076)	(453,688)
Disposals	(5,461)	(2,208)	(100,944)	(6,402)	—	(115,015)
As at December 31, 2013	1,371,072	110,285	643,027	75,362	871,595	3,071,341
Accumulated depreciation						
As at January 1, 2013	(207,888)	(49,320)	(472,562)	(53,624)	—	(783,394)
Charge for the year	(29,686)	(12,077)	(98,249)	(10,630)	—	(150,642)
Transfer to investment properties (Note 20)	1,787	—	—	—	—	1,787
Disposals	1,915	1,740	96,696	5,528	—	105,879
As at December 31, 2013	(233,872)	(59,657)	(474,115)	(58,726)	—	(826,370)
Carrying amount						
As at December 31, 2013	1,137,200	50,628	168,912	16,636	871,595	2,244,971

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

19 PROPERTY AND EQUIPMENT—continued

The Company

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at January 1, 2014	1,371,072	110,285	643,027	75,362	871,595	3,071,341
Additions	1,030	44	33,719	2,316	1,186,332	1,223,441
Transfer during the year (Note 30)	—	—	—	—	(12,602)	(12,602)
Transfer to investment properties (Note 20)	(79,011)	—	—	—	—	(79,011)
Disposals	—	(2,385)	(150,785)	(9,578)	—	(162,748)
As at December 31, 2014	1,293,091	107,944	525,961	68,100	2,045,325	4,040,421
Accumulated depreciation						
As at January 1, 2014	(233,872)	(59,657)	(474,115)	(58,726)	—	(826,370)
Charge for the year	(38,358)	(11,445)	(81,687)	(4,984)	—	(136,474)
Transfer to investment properties (Note 20)	8,110	—	—	—	—	8,110
Disposals	—	2,313	147,769	8,918	—	159,000
As at December 31, 2014	(264,120)	(68,789)	(408,033)	(54,792)	—	(795,734)
Carrying amount						
As at December 31, 2014	1,028,971	39,155	117,928	13,308	2,045,325	3,244,687

As at December 31, 2012, 2013 and 2014, included in buildings, there is a carrying amount of RMB153,105 thousand, RMB115,760 thousand and RMB88,890 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

20 INVESTMENT PROPERTIES

The Group

	2012	2013	2014
Cost			
As at January 1,	150,423	150,222	696,218
Additions	—	53,704	—
Transfer in from property and equipment (Note 19)	—	492,292	79,011
Disposals	(201)	—	(322)
As at December 31,	150,222	696,218	774,907
Accumulated depreciation			
As at January 1,	(38,773)	(42,982)	(68,934)
Charge for the year	(4,268)	(18,370)	(19,504)
Transfer in from property and equipment (Note 19)	—	(7,582)	(8,110)
Disposals	59	—	169
As at December 31,	(42,982)	(68,934)	(96,379)
Impairment			
As at January 1,	(1,921)	(1,921)	(1,921)
Impairment losses of the year	—	—	(2,626)
As at December 31,	(1,921)	(1,921)	(4,547)
Carrying amount	105,319	625,363	673,981

The Company

	2012	2013	2014
Cost			
As at January 1,	137,702	137,500	591,188
Additions	—	—	—
Transfer in from property and equipment (Note 19)	—	453,688	79,011
Disposals	(202)	—	(322)
As at December 31,	137,500	591,188	669,877
Depreciation			
As at January 1,	(35,645)	(39,463)	(57,535)
Charge for the year	(3,877)	(16,285)	(16,477)
Transfer in from property and equipment (Note 19)	—	(1,787)	(8,110)
Disposals	59	—	169
As at December 31,	(39,463)	(57,535)	(81,953)
Carrying amount	98,037	533,653	587,924

As at December 31, 2012, 2013 and 2014, included in investment properties, there is a carrying amount of RMB71,350 thousand, RMB153,260 thousand and RMB166,409 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

21 GOODWILL

The Group

	As at December 31,		
	2012	2013	2014
Cost	51,342	51,342	51,342
Less: Provision for impairment losses	—	—	—
Carrying amount	51,342	51,342	51,342

Impairment testing on goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	As at December 31,		
	2012	2013	2014
Investment banking	51,090	51,090	51,090
Futures brokerage	252	252	252
Total	51,342	51,342	51,342

The Group acquired the investment banking business together with the relevant assets and liabilities, and the interest in Huatai United Securities Co., Ltd. in 2006. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the investment banking CGU.

The Group acquired the futures brokerage business together with the relevant assets and liabilities, and the interest in Huatai Futures Co., Ltd. in 2006. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

The recoverable amounts of each CGU are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash-flows beyond the five-year period are extrapolated using an estimated annual growth rate based on industry growth forecasts. Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rates used are the CGUs' specific weighted average cost of capital, adjusted for the risks of the specific CGUs.

As at December 31, 2012, 2013 and 2014, the Group performed its annual goodwill impairment test. No impairments were recognized for the goodwill related to investment banking CGU and futures brokerage CGU since the fair values were greater than their carrying amounts, respectively.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

22 OTHER INTANGIBLE ASSETS

The Group

	Land-use right	Software and others	Total
Cost			
As at January 1, 2012	359,161	207,893	567,054
Additions	—	45,123	45,123
Disposals	—	(35)	(35)
As at December 31, 2012	359,161	252,981	612,142
Accumulated amortization			
As at January 1, 2012	(28,344)	(172,510)	(200,854)
Charge for the year	(7,186)	(25,126)	(32,312)
Disposals	—	35	35
As at December 31, 2012	(35,530)	(197,601)	(233,131)
Carrying amount			
As at December 31, 2012	323,631	55,380	379,011
Cost			
As at January 1, 2013	359,161	252,981	612,142
Additions	—	53,501	53,501
Disposals	—	(667)	(667)
As at December 31, 2013	359,161	305,815	664,976
Accumulated amortization			
As at January 1, 2013	(35,530)	(197,601)	(233,131)
Charge for the year	(7,196)	(43,294)	(50,490)
Disposals	—	587	587
As at December 31, 2013	(42,726)	(240,308)	(283,034)
Carrying amount			
As at December 31, 2013	316,435	65,507	381,942
Cost			
As at January 1, 2014	359,161	305,815	664,976
Additions	—	79,835	79,835
Disposals	—	(1,967)	(1,967)
As at December 31, 2014	359,161	383,683	742,844
Accumulated amortization			
As at January 1, 2014	(42,726)	(240,308)	(283,034)
Charge for the year	(6,614)	(53,952)	(60,566)
Disposals	—	1,967	1,967
As at December 31, 2014	(49,340)	(292,293)	(341,633)
Carrying amount			
As at December 31, 2014	309,821	91,390	401,211

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

22 OTHER INTANGIBLE ASSETS—continued

The Company

	Land-use right	Software and others	Total
Cost			
As at January 1, 2012	359,161	199,927	559,088
Additions	—	42,631	42,631
Disposals	—	—	—
As at December 31, 2012	359,161	242,558	601,719
Accumulated amortization			
As at January 1, 2012	(28,344)	(167,553)	(195,897)
Charge for the year	(7,186)	(23,835)	(31,021)
Disposals	—	—	—
As at December 31, 2012	(35,530)	(191,388)	(226,918)
Carrying amount			
As at December 31, 2012	323,631	51,170	374,801
Cost			
As at January 1, 2013	359,161	242,558	601,719
Additions	—	49,621	49,621
Disposals	—	(667)	(667)
As at December 31, 2013	359,161	291,512	650,673
Accumulated amortization			
As at January 1, 2013	(35,530)	(191,388)	(226,918)
Charge for the year	(7,196)	(41,494)	(48,690)
Disposals	—	587	587
As at December 31, 2013	(42,726)	(232,295)	(275,021)
Carrying amount			
As at December 31, 2013	316,435	59,217	375,652
Cost			
As at January 1, 2014	359,161	291,512	650,673
Additions	—	74,657	74,657
Disposals	—	(515)	(515)
As at December 31, 2014	359,161	365,654	724,815
Accumulated amortization			
As at January 1, 2014	(42,726)	(232,295)	(275,021)
Charge for the year	(6,614)	(51,258)	(57,872)
Disposals	—	515	515
As at December 31, 2014	(49,340)	(283,038)	(332,378)
Carrying amount			
As at December 31, 2014	309,821	82,616	392,437

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

23 INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31,		
	2012	2013	2014
Unlisted shares, at cost	2,500,724	3,389,664	4,047,567
Less: Impairment losses	—	—	—
Total	2,500,724	3,389,664	4,047,567

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares hold is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held by the Company as at December 31, 2012	2013	2014	Principal activity	Auditor[2] GAAP 2012	2013	2014
Huatai United Securities Co., Ltd.	PRC September 5, 1997	RMB 1,000,000,000	98.19%	98.19%	98.58%	Investment banking	Pan-China PRC GAAP	Pan-China PRC GAAP	KPMG PRC PRC GAAP
Huatai Futures Co., Ltd.	PRC July 10, 1995	RMB 809,000,000	60%	60%	60%	Futures brokerage	Pan-China PRC GAAP	Pan-China PRC GAAP	KPMG PRC PRC GAAP
Huatai Zijin Investment Co., Ltd.	PRC August 12, 2008	RMB 600,000,000	100%	100%	100%	Equity investment	Pan-China PRC GAAP	Pan-China PRC GAAP	KPMG PRC PRC GAAP
Huatai Financial Holdings (Hong Kong) Limited	Hong Kong November 23, 2006	HKD 1,000,000,000	100%	100%	100%	Securities and futures brokerage	Simon Chan HKFRSs	Simon Chan HKFRSs	KPMG HKFRSs
Jiangsu Equity Exchange Center Co., Ltd.	PRC July 4, 2013	RMB 200,000,000	—	52%	52%	Equity trading	—	Pan-China PRC GAAP	KPMG PRC PRC GAAP
Huatai Innovative Investment Co., Ltd.	PRC November 21, 2013	RMB 500,000,000	—	100%	100%	Alternative investment	—	Pan-China PRC GAAP	KPMG PRC PRC GAAP
Huatai Securities (Shanghai) Assets Management Co., Ltd.[4]	PRC October 16, 2014	RMB 300,000,000	—	—	100%	Asset management	—	—	—
Huatai Ruitong Investment Management Co., Ltd.[1]	PRC December 25, 2012	RMB 50,000,000	—	54%	54%	Investment management	—	Pan-China PRC GAAP	KPMG PRC PRC GAAP
Jiangsu Emerging Industry Investment Co., Ltd.[1]	PRC June 9, 2013	RMB 7,500,000	—	51%	51%	Equity investment	—	Kaiyuan PRC GAAP	Kaiyuan PRC GAAP
Huatai Ruilian Funds Management Co., Ltd.[1][3]	PRC November 20, 2013	RMB 30,000,000	—	51%	51%	Investment management	—	—	KPMG PRC PRC GAAP
Huatai Great Wall Capital Management Co., Ltd.[1][3]	PRC December 6, 2013	RMB 200,000,000	—	60%	60%	Spread trading and commodity warrant trading	—	—	KPMG PRC PRC GAAP

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

23 INVESTMENTS IN SUBSIDIARIES—continued

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up capital	Equity interest held by the Company as at December 31, 2012	2013	2014	Principal activity	Auditor[(2)] GAAP 2012	2013	2014
Huatai Great Wall International Trading Co., Ltd.[(1)]	PRC May 24, 2014	RMB 100,000,000	—	—	60%	Risk management	—	—	KPMG PRC PRC GAAP
Huatai Ruilian Funds Mergers (Limited Partnership)[(1)(5)]	PRC March 17, 2014	RMB 500,000,000	—	—	32%	Equity investment	—	—	KPMG PRC PRC GAAP
Huatai Ruilin Investment Management (Limited Partnership)[(1)(4)]	PRC September 5, 2014	RMB 5,000,000	—	—	52%	Investment management	—	—	—
Huatai Ruilin Equity Management (Limited Partnership)[(1)(4)(5)]	PRC September 28, 2014	RMB 500,000,000	—	—	31%	Equity investment	—	—	—

(1) These subsidiaries are indirectly controlled by the Company.

(2) Auditors of the respective subsidiaries of the Group are as follows:

— Pan-China represents Pan-China Certified Public Accountants LLP, a firm of certified public accountants registered in PRC;

— KPMG PRC represents KPMG Huazhen (Special General Partnership), a firm of certified public accountants registered in PRC;

— Simon Chan represents Simon Chan & Co. Certified Public Accountants, a firm of certified public accountants registered in Hong Kong;

— KPMG represents KPMG in Hong Kong, a firm of certified public accountants registered in Hong Kong;

— Kaiyuan represents Nanjing Kaiyuan United Certified Public Accountants Firm (Special General Partnership), a firm of certified public accountants registered in PRC.

(3) These subsidiaries were newly incorporated during 2013 and no statutory audit has been performed for each subsidiary since their establishment and up to the date of December 31, 2013.

(4) These subsidiaries were newly incorporated during 2014 and no statutory audit has been performed for each subsidiary since their establishment and up to the date of December 31, 2014.

(5) As at December 31, 2014, the Company indirectly holds 32.00% equity interest of Huatai Ruilian Funds Mergers (Limited Partnership) ("Ruilian Fund"). Pursuant to the partnership agreement, all the investment committee members of Ruilian Fund are management of the Company. In addition, the Company's subsidiary, Huatai Ruilian Funds Management Co., Ltd. is the general partner of Ruilian Fund, which manages the daily operation of the fund. The directors of the Company consider the Company has the power to control Ruilian Fund and it is therefore classified as a subsidiary of the Group.

As at December 31, 2014, the Company indirectly holds 31.00% equity interest of Huatai Ruilin Equity Management (Limited Partnership) ("Ruilin Fund"). Pursuant to the partnership agreement, the investment committee is controlled by the Company. In addition, the Company's subsidiary, Huatai Ruilin Investment Management (Limited Partnership) is the general partner of Ruilin Fund, which manages the daily operation of the fund. The directors of the Company consider the Company has the power to control Ruilin Fund and it is therefore classified as a subsidiary of the Group.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

23 INVESTMENTS IN SUBSIDIARIES—continued

The following table lists out the information relating to Huatai Futures Co., Ltd., the only subsidiary of the Group which has material non-controlling interest ("NCI"). The summarized financial information presented below represents the amounts before any inter-company elimination:

	2012	2013	2014
NCI percentage	40%	40%	40%
Assets	6,344,529	6,546,393	9,109,060
Liabilities	(5,469,544)	(5,560,788)	(8,041,263)
Net assets	874,985	985,605	1,067,797
Carrying amount of NCI	349,994	394,242	427,119
Revenue	425,126	408,624	541,874
Profit for the year	106,352	110,619	96,990
Other comprehensive income	—	—	—
Total comprehensive income	106,352	110,619	96,990
Profit allocated to NCI	42,540	44,248	38,796
Dividend paid to NCI	—	83,600	—
Cash flows from operating activities	(69,357)	387,923	1,959,442
Cash flows from investing activities	(7,650)	(108,155)	(586,342)
Cash flows from financing activities	—	—	(14,798)

24 INTEREST IN ASSOCIATES

The Group

	As at December 31,		
	2012	2013	2014
Share of net assets	1,190,760	1,631,098	1,874,488

The Company

	As at December 31,		
	2012	2013	2014
Share of net assets	1,190,760	1,334,098	1,602,713

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

			Proportion of ownership interest			
Name of associate	Registered place	Registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
China Southern Asset Management Co., Ltd.	Shenzhen	RMB300,000,000	45%	45%	—	Fund management
Huatai-PineBridge Fund Management Co., Ltd.	Shanghai	RMB200,000,000	49%	49%	—	Fund management
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	Nanjing	RMB2,000,000,000	48.25%	—	48.25%	Equity investment

All of the above associates are accounted for using the equity method in the consolidated financial statements.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

24 INTEREST IN ASSOCIATES—continued

Summarized financial information of the Group's material associates, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

China Southern Asset Management Co., Ltd.

	2012	2013	2014
Gross amounts of the associate			
Assets	3,027,835	3,535,528	4,503,567
Liabilities	(757,020)	(903,877)	(1,270,497)
Net assets	2,270,815	2,631,651	3,233,070
Revenue	1,814,862	1,913,699	2,247,987
Profit for the year	454,791	497,930	649,707
Other comprehensive income	33,362	(2,329)	7,177
Total comprehensive income	488,153	495,601	656,884
Dividend received from the associate	81,000	81,000	81,000
Reconciled to the Group's interest in the associate:			
Net assets of the associate attributable to the parent company	2,166,953	2,446,089	3,020,720
The Group's effective interest	45%	45%	45%
The Group's share of net assets of the associate	975,129	1,100,740	1,359,324
Other adjustment	2,628	—	—
Carrying amount in the consolidated financial statements	977,757	1,100,740	1,359,324

Huatai-PineBridge Fund Management Co., Ltd.

	2012	2013	2014
Gross amounts of the associate			
Assets	525,302	555,869	684,627
Liabilities	(95,987)	(82,994)	(187,915)
Net assets	429,315	472,875	496,712
Revenue	263,655	268,567	319,985
Profit for the year	37,624	38,364	55,819
Other comprehensive income	3,900	5,196	8,018
Total comprehensive income	41,524	43,560	63,837
Dividend received from the associate	—	—	19,600
Reconciled to the Group's interest in the associate:			
Net assets of the associate attributable to the parent company	429,315	472,875	496,712
The Group's effective interest	49%	49%	49%
The Group's share of net assets of the associate	210,364	231,709	243,389
Other adjustment	2,639	1,649	—
Carrying amount in the consolidated financial statements	213,003	233,358	243,389

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

24 INTEREST IN ASSOCIATES—continued

Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)

	2012	2013	2014
Gross amounts of the associate			
Assets	—	587,048	522,202
Liabilities	—	(25,000)	(21,000)
Net assets	—	562,048	501,202
Revenue	—	11,456	32,052
Loss for the year	—	(30,452)	(8,380)
Other comprehensive income	—	—	—
Total comprehensive income	—	(30,452)	(8,380)
Dividend received from the associate	—	—	—
Reconciled to the Group's interest in the associate:			
Net assets of the associate attributable to the parent company	—	562,048	501,202
The Group's effective interest	—	49.50%	48.25%
The Group's share of net assets of the associate	—	278,214	241,830
Other adjustment	—	18,786	14,694
Carrying amount in the consolidated financial statements	—	297,000	256,524

Aggregate information of associates that are not individually material:

	2012	2013	2014
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	—	—	15,251
Aggregate amounts of the Group's share of those associates' gains	—	—	551
Other comprehensive income	—	—	—
Total comprehensive income	—	—	551

25 HELD-TO-MATURITY INVESTMENTS

The Group and the Company

	As at December 31,		
	2012	2013	2014
Listed outside Hong Kong:			
—Debt securities	5,000	5,000	5,000
Unlisted:			
—Investment management products under trust scheme	200,000	—	—
Total	205,000	5,000	5,000

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

Non-current

	As at December 31,		
	2012	2013	2014
At fair value:			
—Equity securities	2,917,238	2,834,921	4,485,675
—Debt securities	1,475,406	238,857	242,031
—Funds	10,654	2,010	2,760
—Wealth management products	83,470	266,418	106,354
At cost:			
—Equity securities	30,995	30,916	138,010
Less: Impairment losses	(8,172)	(5,716)	(5,716)
Total	4,509,591	3,367,406	4,969,114
Analyzed as:			
Listed outside Hong Kong	1,475,406	238,857	244,791
Unlisted	3,034,185	3,128,549	4,724,323
Total	4,509,591	3,367,406	4,969,114

The Group

Current

	As at December 31,		
	2012	2013	2014
At fair value:			
—Equity securities	1,651,019	1,982,983	609,368
—Debt securities	51,373	41,000	149,310
—Funds	1,234,851	240,093	339,671
—Wealth management products	3,440,488	3,095,480	3,210,376
Less: Impairment losses	—	(41,186)	(1,691)
Total	6,377,731	5,318,370	4,307,034
Analyzed as:			
Listed outside Hong Kong	2,248,463	2,140,965	942,273
Unlisted	4,129,268	3,177,405	3,364,761
Total	6,377,731	5,318,370	4,307,034

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS—continued

The Company

Non-Current

	As at December 31,		
	2012	2013	2014
At fair value:			
—Equity securities	2,623,848	2,734,921	4,485,676
—Debt securities	1,475,406	238,857	242,031
—Funds	9,010	—	—
—Wealth management products	83,470	266,419	54,431
At cost:			
—Equity securities	17,796	17,716	68,340
Less: Impairment losses	(6,139)	(3,683)	(3,683)
Total	4,203,391	3,254,230	4,846,795
Analyzed as:			
Listed outside Hong Kong	1,475,406	238,857	242,031
Unlisted	2,727,985	3,015,373	4,604,764
Total	4,203,391	3,254,230	4,846,795

The Company

Current

	As at December 31,		
	2012	2013	2014
At fair value:			
—Equity securities	1,630,978	1,965,218	211,133
—Debt securities	51,373	—	—
—Funds	1,234,851	240,093	41,670
—Wealth management products	1,363,352	743,241	3,027,842
Less: Impairment losses	—	(41,186)	(1,691)
Total	4,280,554	2,907,366	3,278,954
Analyzed as:			
Listed outside Hong Kong	2,228,421	2,082,200	214,446
Unlisted	2,052,133	825,166	3,064,508
Total	4,280,554	2,907,366	3,278,954

As at December 31, 2012, 2013 and 2014, the fund investments with lock-up periods held by the Group are RMB10,654 thousand, RMB12,525 thousand and RMB 2,760 thousand respectively.

As at December 31, 2012, 2013 and 2014, the fund investments with lock-up periods held by the Company are RMB9,010 thousand, RMB10,515 thousand and nil respectively.

As at December 31, 2012, 2013 and 2014, there was no equity securities with lock-up period included in the available-for-sale financial assets held by the Group and the Company.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

26 AVAILABLE-FOR-SALE FINANCIAL ASSETS—continued

The equity interest in unlisted securities held by the Group and the Company are issued by private companies. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that for those of which the fair value cannot be measured reliably, the value of the securities is measured at cost less impairment at the reporting date, and for those of which equity had been traded fairly in recent years, the value of the securities is measured by comparing with comparable companies that are listed and in the same sector.

In the opinion of the directors of the Company, non-current available-for-sale investments are expected to be realized or restricted for sale beyond one year from the end of the respective reporting periods. The fair value of the Group and the Company's investments in unlisted funds, which mainly invest in publicly traded equities listed in the PRC, are valued based on the net asset values of the funds calculated by the respective fund managers by reference to their underlying assets and liabilities' fair values.

The fair value of the Group and the Company's investments in equity securities without restriction, exchange-listed funds and debt securities are determined with reference to their quoted prices as at reporting date.

As at December 31, 2012, 2013 and 2014, 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 RMB442,755 thousand, RMB192,135 thousand and RMB7,865 thousand to external clients, respectively, which did not result in derecognition of the financial assets. The fair value of collaterals for the securities lending business is analyzed in Note 33 (b) together with the fair value of collaterals of margin financing business.

27 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by collateral type:

The Group

Non-current

	As at December 31,		
	2012	2013	2014
Equity securities	—	368,000	2,400,120
Total	—	368,000	2,400,120

Current

	As at December 31,		
	2012	2013	2014
Debt securities	292,938	2,938,019	5,035,831
Equity securities	303,806	2,782,092	12,711,304
Others	—	—	562,771
Total	596,744	5,720,111	18,309,906

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

27 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS—continued

(a) Analyzed by collateral type—continued:

The Company

Non-current

	As at December 31,		
	2012	2013	2014
Equity securities	—	368,000	482,600
Total	—	368,000	482,600

Current

	As at December 31,		
	2012	2013	2014
Debt securities	283,638	1,646,518	749,950
Equity securities	303,806	2,700,093	6,837,774
Total	587,444	4,346,611	7,587,724

(b) Analyzed by market:

The Group

Non-current

	As at December 31,		
	2012	2013	2014
Shenzhen stock exchange	—	368,000	1,526,620
Shanghai stock exchange	—	—	873,500
Total	—	368,000	2,400,120

Current

	As at December 31,		
	2012	2013	2014
Inter-bank market	283,638	1,646,518	4,389,356
Shanghai stock exchange	313,106	1,103,653	4,333,641
Shenzhen stock exchange	—	2,969,940	8,990,138
Others	—	—	596,771
Total	596,744	5,720,111	18,309,906

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

27 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS—continued

(b) Analyzed by market—continued:

The Company

Non-current

	As at December 31,		
	2012	2013	2014
Shenzhen stock exchange	—	368,000	482,600
Total	—	368,000	482,600

Current

	As at December 31,		
	2012	2013	2014
Inter-bank market	283,638	1,646,518	489,950
Shanghai stock exchange	303,806	1,043,653	2,060,717
Shenzhen stock exchange	—	1,656,440	5,037,057
Total	587,444	4,346,611	7,587,724

28 REFUNDABLE DEPOSITS

The Group

	As at December 31,		
	2012	2013	2014
Deposits with stock exchanges			
—China Securities Depository and Clearing Corporation Limited	63,778	163,543	225,383
	63,778	163,543	225,383
Deposits with futures and commodity exchanges			
—China Financial Futures Exchange	1,392,569	1,543,448	1,884,269
—Shanghai Futures Exchange	960,285	924,127	898,651
—Dalian Commodity Exchange	524,652	464,905	632,014
—Zhengzhou Commodity Exchange	663,751	397,123	475,170
—Others	—	—	4,332
	3,541,257	3,329,603	3,894,436
Deposits with other institutions			
—China Securities Finance Co., Ltd.	—	33,949	311,716
—Shanghai Clearing House	3,008	3,008	51,310
	3,008	36,957	363,026
Total	3,608,043	3,530,103	4,482,845

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

28 REFUNDABLE DEPOSITS—continued

The Company

	As at December 31,		
	2012	2013	2014
Deposits with stock exchanges			
—China Securities Depository and Clearing Corporation Limited	62,118	162,478	223,780
	62,118	162,478	223,780
Deposits with other institutions			
—Huatai Futures Co., Ltd.	258,693	508,557	682,421
—China Securities Finance Co., Ltd.	—	33,949	311,716
—Shanghai Clearing House	1,300	1,300	49,602
	259,993	543,806	1,043,739
Total	322,111	706,284	1,267,519

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

29 DEFERRED TAXATION

(a) The Group

The components of deferred tax assets/(liabilities) recognized in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of derivative financial instruments	Changes in fair value of available-for-sale financial assets	Others	Total
As at January 1, 2012	122,396	—	(30,549)	(8,683)	19,721	1,572	104,457
Recognized in profit or loss	(890)	—	(39,359)	47,857	—	(1,582)	6,026
Recognized in reserves	—	—	—	—	(134,380)	—	(134,380)
As at December 31, 2012	121,506	—	(69,908)	39,174	(114,659)	(10)	(23,897)
As at January 1, 2013	121,506	—	(69,908)	39,174	(114,659)	(10)	(23,897)
Recognized in profit or loss	(10,122)	51,027	180,364	(41,760)	—	75,827	255,336
Recognized in reserves	—	—	—	—	(26,378)	—	(26,378)
As at December 31, 2013	111,384	51,027	110,456	(2,586)	(141,037)	75,817	205,061
As at January 1, 2014	111,384	51,027	110,456	(2,586)	(141,037)	75,817	205,061
Recognized in profit or loss	(6,944)	149,653	(494,803)	224,607	—	(35,581)	(163,068)
Recognized in reserves	—	—	—	—	(464,289)	—	(464,289)
As at December 31, 2014	104,440	200,680	(384,347)	222,021	(605,326)	40,236	(422,296)

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

29 DEFERRED TAXATION—continued

(b) The Company

The components of deferred tax assets/(liabilities) recognized in the Company's statement of financial position and the movements during the Relevant Periods are as follows:

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of derivative financial instruments	Changes in fair value of available-for-sale financial assets	Others	Total
As at January 1, 2012	7,325	—	(25,186)	(8,683)	28,931	—	2,387
Recognized in profit or loss	(260)	—	(44,840)	47,857	—	—	2,757
Recognized in reserves	—	—	—	—	(129,238)	—	(129,238)
As at December 31, 2012	7,065	—	(70,026)	39,174	(100,307)	—	(124,094)
As at January 1, 2013	7,065	—	(70,026)	39,174	(100,307)	—	(124,094)
Recognized in profit or loss	9,951	32,500	183,131	(41,760)	—	74,528	258,350
Recognized in reserves	—	—	—	—	(36,706)	—	(36,706)
As at December 31, 2013	17,016	32,500	113,105	(2,586)	(137,013)	74,528	97,550
As at January 1, 2014	17,016	32,500	113,105	(2,586)	(137,013)	74,528	97,550
Recognized in profit or loss	(5,499)	68,844	(453,850)	224,551	—	(35,204)	(201,158)
Recognized in reserves	—	—	—	—	(494,612)	—	(494,612)
As at December 31, 2014	11,517	101,344	(340,745)	221,965	(631,625)	39,324	(598,220)

(c) Reconciliation to the statements of financial position

The Group

	As at December 31,		
	2012	2013	2014
Net deferred tax assets recognized in the statement of financial position	242,166	373,688	178,878
Net deferred tax liabilities recognized in the statement of financial position	(266,063)	(168,627)	(601,174)
Total	(23,897)	205,061	(422,296)

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

29 DEFERRED TAXATION—continued

(c) Reconciliation to the statements of financial position—continued

The Company

	As at December 31,		
	2012	2013	2014
Net deferred tax assets recognized in the statement of financial position	126,894	258,710	—
Net deferred tax liabilities recognized in the statement of financial position	(250,988)	(161,160)	(598,220)
Total	(124,094)	97,550	(598,220)

(d) Recognized in other comprehensive income:

The Group

	Year ended December 31, 2012		
	Before tax	Tax (expense) /benefit	Net of tax
Available-for-sale financial assets			
—Net changes in fair value	896,643	(224,161)	672,482
—Reclassified to profit or loss	(359,123)	89,781	(269,342)
Share of other comprehensive income of associates	16,949	—	16,949
Exchange differences on translation of financial statements in foreign currencies	(257)	—	(257)
Total	554,212	(134,380)	419,832

	Year ended December 31, 2013		
	Before tax	Tax (expense) /benefit	Net of tax
Available-for-sale financial assets			
—Net changes in fair value	286,540	(71,635)	214,905
—Reclassified to profit or loss	(181,028)	45,257	(135,771)
Share of other comprehensive income of associates	5,168	—	5,168
Exchange differences on translation of financial statements in foreign currencies	(14,865)	—	(14,865)
Total	95,815	(26,378)	69,437

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

29 DEFERRED TAXATION—continued

(d) Recognized in other comprehensive income—continued:

The Group

	Year ended December 31, 2014		
	Before tax	Tax (expense) /benefit	Net of tax
Available-for-sale financial assets			
—Net changes in fair value	2,373,692	(575,025)	1,798,667
—Reclassified to profit or loss	(442,942)	110,736	(332,206)
Share of other comprehensive income of associates	11,344	—	11,344
Exchange differences on translation of financial statements in foreign currencies	(2,866)	—	(2,866)
Total	1,939,228	(464,289)	1,474,939

(e) Deferred tax assets not recognized

As at December 31, 2012, 2013 and 2014, in accordance with the accounting policy set out in Note 3(n)(ii), the Group has not recognized deferred tax assets in respect of cumulative tax losses of nil, RMB410 thousand and RMB4,068 thousand respectively, as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

30 OTHER NON-CURRENT ASSETS

(a) Analyzed by nature:

The Group

	As at December 31,		
	2012	2013	2014
Leasehold improvements and long-term deferred expenses	244,520	164,583	108,854

The Company

	As at December 31,		
	2012	2013	2014
Leasehold improvements and long-term deferred expenses	217,906	145,970	98,798

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

30 OTHER NON-CURRENT ASSETS—continued

(b) The movements of leasehold improvements and long-term deferred expenses are as below:

The Group

	As at December 31,		
	2012	2013	2014
Balance at beginning of the year	310,476	244,520	164,583
Additions	29,460	15,357	14,381
Transfer in from property and equipment (Note 19)	11,982	10,694	12,602
Amortization	(107,398)	(105,988)	(82,712)
Balance at end of the year	244,520	164,583	108,854

The Company

	As at December 31,		
	2012	2013	2014
Balance at beginning of the year	279,547	217,906	145,970
Additions	23,514	10,353	11,161
Transfer in from property and equipment (Note 19)	11,982	10,694	12,602
Amortization	(97,137)	(92,983)	(70,935)
Balance at end of the year	217,906	145,970	98,798

31 ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

The Group

	As at December 31,		
	2012	2013	2014
Accounts receivable of:			
—Brokers and dealers	292,602	80,514	244,162
—Fee and commission	45,567	11,819	103,487
—Settlement	6,032	1,820	2,642
—Others	345	3,561	12,760
Less: Provision for impairment losses	(138)	(55)	(398)
Total	344,408	97,659	362,653

The Company

	As at December 31,		
	2012	2013	2014
Accounts receivable of:			
—Fee and commission	45,869	14,844	124,720
—Others	345	3,561	7,910
Less: Provision for impairment losses	(138)	(55)	(398)
Total	46,076	18,350	132,232

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

31 ACCOUNTS RECEIVABLE—continued

(b) Analyzed by aging:

As at the end of the reporting period, the aging analysis of accounts receivable, based on the trade date, is as follows:

The Group

	As at December 31,		
	2012	2013	2014
Within 1 month	292,602	80,514	249,564
1 to 3 months	51,806	17,025	110,387
Over 3 months	—	120	2,702
Total	344,408	97,659	362,653

The Company

	As at December 31,		
	2012	2013	2014
Within 1 month	—	—	—
1 to 3 months	46,076	18,230	129,530
Over 3 months	—	120	2,702
Total	46,076	18,350	132,232

(c) Analysis of the movement of provision for impairment losses:

The Group

	As at December 31,		
	2012	2013	2014
At the beginning of the year	45	138	55
Charge for the year	93	—	343
Reversal of impairment	—	(83)	—
At the end of the year	138	55	398

The Company

	As at December 31,		
	2012	2013	2014
At the beginning of the year	45	138	55
Charge for the year	93	—	343
Reversal of impairment	—	(83)	—
At the end of the year	138	55	398

(d) Accounts receivable that is not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

32 OTHER RECEIVABLES AND PREPAYMENTS

(a) Analyzed by nature:

The Group

	As at December 31,		
	2012	2013	2014
Interest receivable	120,270	902,084	1,751,677
Other receivables[(i)]	594,224	532,605	530,765
Deferred expenses	5,279	17,771	32,464
Prepayments	—	—	63,520
Others	77,414	81,769	83,567
Less: Impairment on other receivables and prepayments	(475,791)	(396,656)	(404,773)
Total	321,396	1,137,573	2,057,220

(i) The balance of other receivables mainly represents the amount due from non-controlling shareholders of Huatai United Securities Co., Ltd., receivables from securities investor protection fund and sundry receivables arising from normal course of business.

The Company

	As at December 31,		
	2012	2013	2014
Interest receivable	89,014	726,923	1,062,829
Other receivables	133,209	99,885	151,123
Deferred expenses	65	12,041	6,477
Less: Impairment on other receivables and prepayments	(21,983)	(23,139)	(40,297)
Total	200,305	815,710	1,180,132

(b) Analysis of the movement of provision for impairment losses:

The Group

	As at December 31,		
	2012	2013	2014
At the beginning of the year	479,844	475,791	396,656
Charge for the year	—	3,520	22,714
Recovery of receivables written off in previous years	—	—	18
Reversal of impairment	(4,036)	(68,705)	(14,615)
Amounts written-off	(17)	(13,950)	—
At the end of the year	475,791	396,656	404,773

The Company

	As at December 31,		
	2012	2013	2014
At the beginning of the year	23,115	21,983	23,139
Charge for the year	—	1,156	17,158
Reversal of impairment	(1,132)	—	—
At the end of the year	21,983	23,139	40,297

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

33 MARGIN ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

The Group

	As at December 31,		
	2012	2013	2014
Individuals	5,780,703	18,375,538	61,180,200
Institutions	620,835	1,476,687	3,456,539
Total	6,401,538	19,852,225	64,636,739

The Company

	As at December 31,		
	2012	2013	2014
Individuals	5,518,359	18,052,101	61,081,784
Institutions	560,603	1,271,968	3,416,184
Total	6,078,962	19,324,069	64,497,968

(b) The fair value of collaterals for margin financing and securities lending business is analyzed as the followings:

The Group

	As at December 31,		
	2012	2013	2014
Fair value of collaterals:			
—Equity securities	18,910,862	48,917,511	154,450,637
—Cash	1,238,499	2,025,086	9,829,634
—Funds	217,013	373,006	1,852,966
—Debt securities	27,155	282,034	69,168
Total	20,393,529	51,597,637	166,202,405

The Company

	As at December 31,		
	2012	2013	2014
Fair value of collaterals:			
—Equity securities	17,859,268	46,787,304	153,919,592
—Cash	1,160,468	1,952,866	9,683,617
—Funds	217,013	373,006	1,852,965
—Debt securities	27,155	282,034	69,168
Total	19,263,904	49,395,210	165,525,342

The Group evaluates the collectability of receivable from margin clients based on management's assessment on the credit rating, collateral value and the past collection history of each margin client. As at December 31, 2012, 2013 and 2014, no provision for impairment losses was made on receivable from margin clients of the Group and the Company.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

34 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analyzed by type:

The Group

	As at December 31,		
	2012	2013	2014
Held for trading:			
—Debt securities	11,060,389	17,496,609	34,486,848
—Equity securities	2,440,836	3,142,839	8,360,220
—Funds	268,543	2,955,295	12,186,905
—Wealth management products	—	746,382	965,985
Total	13,769,768	24,341,125	55,999,958

The Company

	As at December 31,		
	2012	2013	2014
Held for trading:			
—Debt securities	10,675,892	15,309,083	14,856,647
—Equity securities	2,435,877	3,059,141	8,328,260
—Funds	106,497	905,642	2,951,445
—Wealth management products	—	300,000	746,977
Total	13,218,266	19,573,866	26,883,329

(b) Analyzed as:

The Group

	As at December 31,		
	2012	2013	2014
Held for trading:			
—Listed outside Hong Kong	6,136,647	9,661,259	24,651,355
—Listed in Hong Kong	—	—	421,183
—Unlisted	7,633,121	14,679,866	30,927,420
Total	13,769,768	24,341,125	55,999,958

The Company

	As at December 31,		
	2012	2013	2014
Held for trading:			
—Listed outside Hong Kong	5,917,688	7,457,256	13,559,518
—Unlisted	7,300,578	12,116,610	13,323,811
Total	13,218,266	19,573,866	26,883,329

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

35 DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Company

	As at December 31, 2012		
	Notional amount	Fair Value Assets	Fair Value Liabilities
Interest rate derivatives	50,000	—	(16)
—Interest rate swap contracts	50,000	—	(16)
Equity derivatives	2,155,774	—	(156,681)
—Stock index futures	2,155,774	—	(156,681)
Total	2,205,774	—	(156,697)
Less: settlement		—	156,681
Net position		—	(16)

	As at December 31, 2013		
	Notional amount	Fair Value Assets	Fair Value Liabilities
Interest rate derivatives	798,951	60	(94)
—Treasury futures	78,951	60	—
—Interest rate swap contracts	720,000	—	(94)
Equity derivatives	4,318,240	13,338	(2,961)
—Stock index futures	4,218,240	13,338	—
—Equity return swaps	100,000	—	(2,961)
Total	5,117,191	13,398	(3,055)
Less: settlement		(13,398)	—
Net position		—	(3,055)

The Group

	As at December 31, 2014		
	Notional amount	Fair Value Assets	Fair Value Liabilities
Interest rate derivatives	14,914,052	71,474	(49,250)
—Treasury futures	57,933	—	(90)
—Interest rate swap contracts	14,856,119	71,474	(49,160)
Equity derivatives	10,820,956	3,482	(911,738)
—Stock index futures	6,768,393	—	(230,155)
—Equity return swaps	3,941,640	3,407	(681,564)
—Stock index options	10,923	75	(19)
—Structured notes	100,000	—	—
Others	249,871	4,602	—
—Commodity futures	249,871	4,602	—
Total	25,984,879	79,558	(960,988)
Less: settlement		(58,743)	230,245
Net position		20,815	(730,743)

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

35 DERIVATIVE FINANCIAL INSTRUMENTS—continued

The Company

	As at December 31, 2014		
	Notional amount	Fair Value	
		Assets	Liabilities
Interest rate derivatives	14,907,933	71,474	(47,840)
—Treasury futures	57,933	—	(90)
—Interest rate swap contracts	14,850,000	71,474	(47,750)
Equity derivatives	10,773,663	—	(911,492)
—Stock index futures	6,763,023	—	(229,928)
—Equity return swaps	3,910,640		(681,564)
—Structured notes	100,000	—	—
Total	25,681,596	71,474	(959,332)
Less: settlement		(54,145)	230,018
Net position		17,329	(729,314)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in Shanghai Clearing House, stock index futures, treasury futures and certain commodity futures traded through Huatai Futures Co., Ltd., were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the above contracts was nil as at December 31, 2012, 2013 and 2014.

36 CLEARING SETTLEMENT FUNDS

The Group

	As at December 31,		
	2012	2013	2014
Deposits with stock exchanges			
—China Securities Depository and Clearing Corporation Limited	243,885	639,168	540,747
Deposits with other institutions			
—China Securities Finance Co., Ltd.	60,199	—	—
—Others	—	—	3,508
Total	304,084	639,168	544,255

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

36 CLEARING SETTLEMENT FUNDS—continued

The Company

	As at December 31,		
	2012	2013	2014
Deposits with stock exchanges			
—China Securities Depository and Clearing Corporation Limited	232,245	627,312	370,640
Deposits with other institutions			
—China Securities Finance Co., Ltd.	60,199	—	—
—Huatai Futures Co., Ltd.	394,395	474,171	603,789
Total	686,839	1,101,483	974,429

37 CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group and the Company maintain segregated deposit accounts with banks and authorized institutions to hold clients' monies arising from its normal course of business. The Group and the Company have classified their brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statements of financial position and the statement of financial position, and recognized the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. In the PRC, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

38 CASH AND BANK BALANCES

The Group

	As at December 31,		
	2012	2013	2014
Cash on hand	989	635	542
Bank balances	11,340,729	17,179,804	36,001,085
Total	11,341,718	17,180,439	36,001,627

The Company

	As at December 31,		
	2012	2013	2014
Cash on hand	753	405	203
Bank balances	2,218,745	1,717,960	12,379,803
Total	2,219,498	1,718,365	12,380,006

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

39 CASH AND CASH EQUIVALENTS

The Group

	As at December 31,		
	2012	2013	2014
Cash on hand	989	635	542
Bank balances	11,340,729	17,179,804	36,001,085
Clearing settlement funds	304,084	639,168	544,255
Financial assets held under resale agreements within 3 months	—	—	2,889,578
Less: restricted bank deposits	(1,142,835)	(3,546,490)	(7,551,576)
Total	10,502,967	14,273,117	31,883,884

The restricted bank deposits include bank deposits with original maturity of more than three months held by the Group and risk reserve deposits.

40 SHORT-TERM DEBT INSTRUMENTS ISSUED

The Group and the Company

	Nominal Interest rate	Book value as at January 1, 2014	Issuance	Redemption	Book value as at December 31, 2014
Short-term commercial papers(1)	4.15%-6.35%	8,000,000	35,300,000	(34,800,000)	8,500,000
Short-term corporate bonds(2)	6.00%	—	7,000,000	—	7,000,000
Short-term subordinated bonds(3)	5.10%-5.95%	—	7,000,000	—	7,000,000
Structured notes(4)	5.50%-9.00%	—	2,320,070	(33,000)	2,287,070
Total		8,000,000	51,620,070	(34,833,000)	24,787,070

	Nominal Interest rate	Book value as at January 1, 2013	Issuance	Redemption	Book value as at December 31, 2013
Short-term commercial papers(5)	3.56%-6.35%	—	23,300,000	(15,300,000)	8,000,000
Total		—	23,300,000	(15,300,000)	8,000,000

(1) As approved by PBOC pursuant to the Approval for the Issuance of Short-term Commercial Papers by Huatai Securities Co., Ltd. (Yin Fa [2014] No.112), the Company has been entitled to issue short-term commercial papers within the balance of RMB 12.1 billion. The approval is valid within 1 year.

(2) As approved by CSRC pursuant to the Approval for the Issuance of Short-term Corporate Bonds by Huatai Securities Co., Ltd., the Company has issued one tranche of short-term corporate bond in 2014, bearing interest at 6% per annum, repayable within 1 year.

(3) As approved by the Board, the Company has been entitled to issue subordinated bonds. Subordinated bonds repayable more than 1 year are disclosed in Note 47.

(4) In 2014, the Company has issued 16 tranches of structured notes, bearing interest ranging from 5.5% to 9.0% per annum, repayable within 1 year.

(5) As approved by the PBOC pursuant to the Approval for the Issuance of Short-term Commercial Papers by Huatai Securities Co., Ltd. (Yin Fa [2013] No.79), the Company has been entitled to issue short-term commercial papers within the balance of RMB 12.3 billion. The approval is valid within 1 year.

(6) As at December 31, 2012, there was no short-term debt instruments issued.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

41 PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

The Group and the Company

	Note	As at December 31, 2012	2013	2014
Placements from China Securities Finance Co., Ltd.	(1)	300,000	635,000	1,500,000
Interbank lending	(2)	300,000	450,000	—
Total		600,000	1,085,000	1,500,000

(1) As at December 31, 2012, 2013 and 2014, the placements from China Securities Finance Co., Ltd. are unsecured and bear interest at 5.8%, 7% and 5.8% per annum respectively, with maturities within 28 days, 91 days and 182 days respectively.

(2) As at December 31, 2012, 2013, the interbank lending is unsecured and bears interest at 4% and 5.09% per annum respectively, with maturities within 7 days and 7 days respectively.

42 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The Group

	As at December 31, 2012	2013	2014
Clients' deposits for margin financing and securities lending	1,238,499	2,025,086	9,829,634
Clients' deposits for other brokerage business	33,259,464	28,817,486	60,398,771
Total	34,497,963	30,842,572	70,228,405

The Company

	As at December 31, 2012	2013	2014
Clients' deposits for margin financing and securities lending	1,160,468	1,952,866	9,683,617
Clients' deposits for other brokerage business	28,202,367	24,039,384	53,348,884
Total	29,362,835	25,992,250	63,032,501

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group and the Company. Accounts payable to brokerage clients are interest bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

43 EMPLOYEE BENEFITS PAYABLE

The Group

Current and non-current

	As at December 31, 2012			
	As at January 1,	Accrued for the year	Payments made	As at December 31,
Salaries, bonuses and allowance	542,712	1,546,876	(1,447,055)	642,533
Contribution to pension schemes	1,708	108,691	(109,477)	922
Other social welfare	11,115	216,588	(217,510)	10,193
Total	555,535	1,872,155	(1,774,042)	653,648

	As at December 31, 2013			
	As at January 1,	Accrued for the year	Payments made	As at December 31,
Salaries, bonuses and allowance	642,533	2,029,325	(1,589,178)	1,082,680
Contribution to pension schemes	922	108,967	(108,835)	1,054
Other social welfare	10,193	209,855	(210,924)	9,124
Total	653,648	2,348,147	(1,908,937)	1,092,858

	As at December 31, 2014			
	As at January 1,	Accrued for the year	Payments made	As at December 31,
Salaries, bonuses and allowance	1,082,680	3,512,336	(2,164,200)	2,430,816
Contribution to pension schemes	1,054	128,050	(125,123)	3,981
Other social welfare	9,124	234,671	(232,561)	11,234
Total	1,092,858	3,875,057	(2,521,884)	2,446,031

The Company

Current and non-current

	As at December 31, 2012			
	As at January 1,	Accrued for the year	Payments made	As at December 31,
Salaries, bonuses and allowance	202,995	1,011,322	(955,402)	258,915
Contribution to pension schemes	1,673	89,238	(90,160)	751
Other social welfare	4,772	173,887	(175,017)	3,642
Total	209,440	1,274,447	(1,220,579)	263,308

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

43 EMPLOYEE BENEFITS PAYABLE—continued

	As at December 31, 2013			
	As at January 1,	Accrued for the year	Payments made	As at December 31,
Salaries, bonuses and allowance	258,915	1,510,126	(1,127,164)	641,877
Contribution to pension schemes	751	89,427	(89,691)	487
Other social welfare	3,642	172,228	(172,823)	3,047
Total	263,308	1,771,781	(1,389,678)	645,411

	As at December 31, 2014			
	As at January 1,	Accrued for the year	Payments made	As at December 31,
Salaries, bonuses and allowance	641,877	2,609,334	(1,597,301)	1,653,910
Contribution to pension schemes	487	102,731	(99,768)	3,450
Other social welfare	3,047	175,059	(175,223)	2,883
Total	645,411	2,887,124	(1,872,292)	1,660,243

44 OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,		
	2012	2013	2014
Payables to interest holders of consolidated structured entities	5,725,748	15,162,392	49,903,536
Payable to open-ended funds	1,061,653	15,483	2,409,018
Business tax and other tax payable	794,522	663,772	1,071,259
Settlement payables	154,710	1,361,796	36,639
Futures risk reserve	60,853	72,964	80,169
Dividend to be converted to the investment capital of consolidated structured entities	24,233	48,229	236,682
Payable to the securities investor protection fund	17,519	22,168	39,182
Payable to brokerage agents	11,844	20,994	24,572
Interest payable	7,689	388,859	1,025,327
Payable for office building construction	—	—	681,766
Payable for equity return swaps	—	24,635	920,482
Others(i)	305,378	249,050	373,687
Total	8,164,149	18,030,342	56,802,319

(i) The balance of others mainly represents payable to the joint bonds underwriters, IPO cost payable, and sundry payables arising from normal course of business.

The Company

	As at December 31,		
	2012	2013	2014
Payable to open-ended funds	1,061,653	15,483	2,409,018
Business tax and other tax payable	781,031	645,977	1,044,361
Settlement payables	32,689	37,517	25,329
Payable to the securities investor protection fund	17,519	22,168	31,366
Payable to brokerage agents	11,844	20,994	24,572
Interest payable	7,689	388,001	1,002,314
Payable for office building construction	—	—	681,766
Payable for equity return swaps	—	24,635	920,482
Others	197,102	181,898	232,201
Total	2,109,527	1,336,673	6,371,409

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

45 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by collateral type:

The Group

	As at December 31,		
	2012	2013	2014
Debt securities	6,328,170	6,458,653	9,542,128
Margin loans receivable-backed repurchase	—	3,410,171	40,116,100
Others	—	—	10,000
Total	6,328,170	9,868,824	49,668,228

The Company

	As at December 31,		
	2012	2013	2014
Debt securities	6,328,170	5,531,154	4,362,661
Margin loans receivable-backed repurchase	—	3,410,171	40,116,100
Total	6,328,170	8,941,325	44,478,761

(b) Analyzed by market:

The Group

	As at December 31,		
	2012	2013	2014
Inter-bank market	4,520,324	2,975,234	4,647,528
Shanghai stock exchange	1,510,846	2,707,121	4,794,600
Shenzhen stock exchange	297,000	776,298	100,000
Others	—	3,410,171	40,126,100
Total	6,328,170	9,868,824	49,668,228

The Company

	As at December 31,		
	2012	2013	2014
Inter-bank market	4,520,324	2,975,234	3,667,161
Shanghai stock exchange	1,510,846	1,779,622	615,000
Shenzhen stock exchange	297,000	776,298	80,000
Others	—	3,410,171	40,116,100
Total	6,328,170	8,941,325	44,478,261

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

46 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at December 31,		
	2012	2013	2014
Financial liabilities held for trading	—	—	9,245
Financial liabilities designated at fair value through profit or loss:			
—Structured entities	102,808	—	—
Total	102,808	—	9,245

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors upon maturity dates of the structured entities based on net book value and related terms of those consolidated asset management schemes.

47 LONG-TERM BONDS

The Group

As at December 31, 2013

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
13 HUATAI 01(2)	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
13 HUATAI 02(2)	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%

Name	Book value as at January 1, 2013	Increase	Amount of amortization	Decrease	Book value as at December 31, 2013
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 01(2)	—	3,991,540	933	—	3,992,473
13 HUATAI 02(2)	—	5,987,310	321	—	5,987,631
Total	—	9,978,850	1,254	—	9,980,104

As at December 31, 2014

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
13 HUATAI 01(2)	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
13 HUATAI 02(2)	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
14 HUATAI 02(3)	RMB3,000,000	18/04/2014	21/04/2016	RMB3,000,000	6.15%
14 HUATAI 03(4)	RMB2,000,000	26/09/2014	29/09/2017	RMB2,000,000	5.70%
14 HUATAI 04(4)	RMB4,000,000	26/09/2014	29/09/2018	RMB4,000,000	5.90%
HUATAI B1910(5)	US$390,000	08/10/2014	08/10/2019	US$389,665	3.625%

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

47 LONG-TERM BONDS—continued

Name	Book value as at January 1, 2014	Increase	Amount of amortization	Decrease	Book value as at December 31, 2014
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 01(2)	3,992,473	—	1,644	—	3,994,117
13 HUATAI 02(2)	5,987,631	—	567	—	5,988,198
14 HUATAI 02(3)	—	2,988,375	3,920	—	2,992,295
14 HUATAI 03(4)	—	2,000,000	—	—	2,000,000
14 HUATAI 04(4)	—	4,000,000	—	—	4,000,000
HUATAI B1910(5)	—	2,369,976	738	—	2,370,714
Total	9,980,104	11,358,351	6,869	—	21,345,324

The Company

As at December 31, 2013

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
13 HUATAI 01(2)	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
13 HUATAI 02(2)	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%

Name	Book value as at January 1, 2013	Increase	Amount of amortization	Decrease	Book value as at December 31, 2013
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 01(2)	—	3,991,540	933	—	3,992,473
13 HUATAI 02(2)	—	5,987,310	321	—	5,987,631
Total	—	9,978,850	1,254	—	9,980,104

As at December 31, 2014

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
13 HUATAI 01(2)	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
13 HUATAI 02(2)	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
14 HUATAI 02(3)	RMB3,000,000	18/04/2014	21/04/2016	RMB3,000,000	6.15%
14 HUATAI 03(4)	RMB2,000,000	26/09/2014	29/09/2017	RMB2,000,000	5.70%
14 HUATAI 04(4)	RMB4,000,000	26/09/2014	29/09/2018	RMB4,000,000	5.90%

Name	Book value as at January 1, 2014	Increase	Amount of amortization	Decrease	Book value as at December 31, 2014
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 01(2)	3,992,473	—	1,644	—	3,994,117
13 HUATAI 02(2)	5,987,631	—	567	—	5,988,198
14 HUATAI 02(3)	—	2,988,375	3,920	—	2,992,295
14 HUATAI 03(4)	—	2,000,000	—	—	2,000,000
14 HUATAI 04(4)	—	4,000,000	—	—	4,000,000
Total	9,980,104	8,988,375	6,131	—	18,974,610

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

47 LONG-TERM BONDS—continued

(1) As at December 31, 2012, the balance of long-term bonds is nil.
(2) As approved by CSRC, the Company has issued 5-year corporate bond amounting to RMB4 billion and 10-year corporate bond amounting to RMB6 billion on June 5, 2013. These two tranches of corporate bonds were listed in the Shanghai Stock Exchange on July 17, 2013.
(3) As approved by the Board, the Company has issued 2-year subordinated bond amounting to RMB3 billion on April 18, 2014.
(4) As approved by the Board, the Company has issued 3-year subordinated bond amounting to RMB2 billion and 4-year subordinated bond amounting to RMB4 billion on September 26, 2014.
(5) Huatai International Finance I Limited, the Company's Hong Kong subsidiary, has issued a 5-year bond with a face value of USD0.4 billion on October 8, 2014 which the Group holds USD0.01 billion bond. The bond was guaranteed by the Bank of China. The Company has provided counter-guarantee to the Bank of China.

48 LONG-TERM BANK LOANS

At December 31, the long-term bank loans were secured as follows:

The Group and the Company

	2012	2013	2014
Secured bank loans	—	—	138,658

At December 31, 2014, the banking facility of the Company was secured by mortgage over its land. Such banking facilities amounted to RMB500,000 thousand. The facilities were utilized to the extent of RMB138,658 thousand, bearing interest at 6% per annum, repayable within 5 years.

49 OTHER NON-CURRENT LIABILITIES

The Group

	As at December 31,		
	2012	2013	2014
Payable of net assets attribute to other limited partners in private equity funds	—	—	843,786
Payable for equity return swaps	—	—	822,000
Total	—	—	1,665,786

The Company

	As at December 31,		
	2012	2013	2014
Payable for equity return swaps	—	—	822,000

50 SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at December 31,		
	2012	2013	2014
Number of shares registered, issued and fully paid (at RMB1 per share)	5,600,000	5,600,000	5,600,000

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

50 SHARE CAPITAL—continued

As at December 31, 2012, 2013 and 2014, the number of non-trade restricted A shares of the Company are 3,371,576,814, 2,327,587 and nil respectively.

51 RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

(b) Surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of the company provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital immediately before the capitalization.

(c) General reserve

General reserve includes general risk reserve and transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on December 18, 2007, the Company appropriates 10% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on December 18, 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% from its annual net profit to the transaction risk reserve.

(d) Fair value reserve

The fair value reserve comprises the cumulative net changes in fair values of available-for-sale financial assets until the assets are derecognized or impaired.

(e) Translation reserve

The translation reserve mainly comprises foreign currency differences arising from the translation of the financial statements of foreign currencies.

(f) Distributable profits

The Company's distributable profits for equity shareholders of the Company are based on the retained profits of the Company as determined under PRC GAAP and IFRS, whichever is lower.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

51 RESERVES—continued

(g) Other comprehensive income accumulated in reserves, net of tax

The Group

	As at December 31, 2012				
	Fair value reserve	Translation reserve	Sub-total	NCI	Total
Available-for-sale financial assets					
—Net changes in fair value	658,887	—	658,887	13,596	672,483
—Reclassified to profit or loss	(256,343)	—	(256,343)	(13,000)	(269,343)
Share of other comprehensive income of associates	16,949	—	16,949	—	16,949
Exchange differences on translation of financial statements in foreign currencies	—	(257)	(257)	—	(257)
Total	419,493	(257)	419,236	596	419,832

The Group

	As at December 31, 2013				
	Fair value reserve	Translation reserve	Sub-total	NCI	Total
Available-for-sale financial assets					
—Net changes in fair value	223,347	—	223,347	(8,442)	214,905
—Reclassified to profit or loss	(143,798)	—	(143,798)	8,027	(135,771)
Share of other comprehensive income of associates	5,168	—	5,168	—	5,168
Exchange differences on translation of financial statements in foreign currencies	—	(14,865)	(14,865)	—	(14,865)
Total	84,717	(14,865)	69,852	(415)	69,437

The Group

	As at December 31, 2014				
	Fair value reserve	Translation reserve	Sub-total	NCI	Total
Available-for-sale financial assets					
—Net changes in fair value	1,798,463	—	1,798,463	204	1,798,667
—Reclassified to profit or loss	(332,206)	—	(332,206)	—	(332,206)
Share of other comprehensive income of associates	8,231	3,113	11,344	—	11,344
Exchange differences on translation of financial statements in foreign currencies	—	(2,866)	(2,866)	—	(2,866)
Total	1,474,488	247	1,474,735	204	1,474,939

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

52 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at December 31, 2012, 2013 and 2014 not provided for in the financial statements were as follows:

The Group

	As at December 31,		
	2012	2013	2014
Contracted, but not provided for	1,449,394	1,419,677	2,428,227

The Company

	As at December 31,		
	2012	2013	2014
Contracted, but not provided for	1,449,394	1,419,677	1,260,602

The above-mentioned capital commitments mainly represent the construction of properties of the Group and the Company, as well as the investment commitments on the subsidiary and private equity funds.

(b) Operating lease commitments

As at December 31, 2012, 2013 and 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

The Group

	As at December 31,		
	2012	2013	2014
Within 1 year (inclusive)	166,165	164,854	182,742
1-2 years (inclusive)	131,322	113,934	124,132
2-3 years (inclusive)	77,942	57,266	67,273
After 3 years	70,541	44,036	42,887
Total	445,970	380,090	417,034

The Company

	As at December 31,		
	2012	2013	2014
Within 1 year (inclusive)	126,684	128,281	138,908
1-2 years (inclusive)	95,477	78,509	100,363
2-3 years (inclusive)	56,695	47,689	59,978
After 3 years	66,141	41,931	40,045
Total	344,997	296,410	339,294

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

53 INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group stand for the asset management schemes where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management product to a level of such significance that it indicates that the Group is a principal.

As at December 31, 2012, 2013 and 2014, the total assets of the consolidated asset management schemes are RMB5,860,935 thousand, RMB17,331,117 thousand and RMB55,318,894 thousand respectively, and the carrying amount of interests held by the Group in the consolidated asset management schemes are RMB260,865 thousand, RMB407,831 thousand and RMB3,746,451 thousand respectively, which are accounted for as available-for-sale financial assets and financial assets at fair value through profit or loss.

Interests held by other investors in these consolidated structured entities were classified as net investment gains, interest income, or interest expenses of the consolidated income statements and financial liabilities designated at fair value through profit or loss or other current liabilities and accrued expense of the consolidated statements of financial position.

(b) Structured entities sponsored by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include funds, asset management schemes, trust schemes, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at December 31, 2012, 2013 and 2014, which are listed as below:

	As at December 31, 2012			
	Held-to-maturity investments	**Available-for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Total**
Funds	—	1,254,910	268,543	1,523,453
Asset management schemes	—	1,003,563	—	1,003,563
Trust schemes	200,000	—	—	200,000
Total	200,000	2,258,473	268,543	2,727,016

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

53 INTERESTS IN STRUCTURED ENTITIES—continued

(b) Structured entities sponsored by third party institutions in which the Group holds an interest—continued

	As at December 31, 2013			
	Held-to-maturity investments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	—	242,103	2,955,295	3,197,398
Asset management schemes	—	149,000	34,897	183,897
Trust schemes	—	240,000	—	240,000
Wealth management products	—	—	637,608	637,608
Total	—	631,103	3,627,800	4,258,903

	As at December 31, 2014			
	Held-to-maturity investments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	—	342,430	12,186,905	12,529,335
Asset management schemes	—	40,000	—	40,000
Trust schemes	—	1,391,787	—	1,391,787
Wealth management products	—	1,667,688	746,977	2,414,665
Total	—	3,441,905	12,933,882	16,375,787

The maximum exposure to loss for funds, asset management schemes and wealth management products is the fair value as at December 31, 2012, 2013 and 2014. The maximum exposure to loss for trust schemes is the amortized cost or the fair value according to the class of accounts recognized in the Group's consolidated statements of financial position as at December 31, 2012, 2013 and 2014.

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in

Structured entities for which the Group served as general partner or manager, therefore has power over them during the reporting periods are asset management schemes. Except for the structured entities that the Group has consolidated as set out in Note 53(a), the Group's exposure to the variable returns in the structured entities in which the Group has interest are not significant. The Group therefore did not consolidate these structured entities.

As at December 31, 2012, 2013 and 2014, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB46,370,067 thousand, RMB122,417,592 thousand and RMB298,342,110 thousand respectively.

Investments and income derived from these unconsolidated structured entities held by the Group were not significant.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

54 CONTINGENCIES

As at December 31, 2012, 2013 and 2014, the Group and the Company were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, the Group and the Company expect would materially adversely affect their financial position or results of operations.

55 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership.

Share percentage in the Company:

	As at December 31,		
	2012	2013	2014
Jiangsu Guoxin Investment Group Limited	24.42%	24.42%	23.89%
Jiangsu Communications Holding Company Limited	8.50%	8.48%	6.99%
Jiangsu High Hope International Group Co., Ltd.	7.85%	6.17%	4.89%
Govtor Capital Group Co., Ltd.	7.61%	7.05%	6.43%
Jiangsu SOHO Holdings Group Co., Ltd.	6.10%	5.78%	5.22%

(ii) Subsidiaries of the Company

The detailed information of the Company's subsidiaries is set out in Note 23.

(iii) Associates of the Company

The detailed information of the Company's associates is set out in Note 24.

(iv) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.

(b) Related parties transactions and balances

(i) Transactions between the Group and major shareholders:

	As at December 31,		
	2012	2013	2014
Balances at the end of the year:			
Accounts payable to brokerage clients	15,267	618	22,398
Other current liabilities and accruals	3,201	3,201	3,211

	Year ended December 31,		
	2012	2013	2014
Transactions during the year:			
Fee and commission income	158	1,122	2,565
Rental expenses	2,064	2,167	3,315
Investment in targeted asset management scheme	—	—	154,000

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

55 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS—continued

(b) Related parties transactions and balances—continued

(ii) Transactions between the Group and associates:

	As at December 31,		
	2012	2013	2014
Balances at the end of the year:			
Financial assets at fair value through profit or loss	58,916	608,680	2,400,811
Available-for-sale financial assets	561,099	128,505	36,595
Accounts receivable	2,589	—	14,176
Accounts payable to brokerage clients	8,533	101	15

	Year ended December 31,		
	2012	2013	2014
Transactions during the year:			
Dividend received	81,000	81,211	107,794
Investment in financial assets at fair value through profit or loss	44,659	585,230	1,599,024
Investment in available-for-sale financial assets	582,426	469,886	103,367
Fee and commission income	30,842	59,719	66,429
Gains from disposal of available-for-sale financial assets	—	11,932	—
Rental income	—	—	1,104

(iii) Transactions between the Company and subsidiaries

	As at December 31,		
	2012	2013	2014
Balances at the end of the year:			
Other receivables and prepayments	6,018	1,037	3,838
Clearing settlement funds	394,395	474,171	603,789
Refundable deposits	258,693	508,557	682,421

	Year ended December 31,		
	2012	2013	2014
Transactions during the year:			
Capital injection in subsidiaries	162,500	888,940	657,903
Fee and commission income	15,967	1,920	—
Fee and commission expenses	—	—	1,192
Dividend income	—	125,400	14,798
Paid on behalf of subsidiaries	4,799	29,987	30,938

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 16, is as follows:

	Year ended December 31,		
	2012	2013	2014
Short-term employee benefits			
—Fees, salaries, allowances and bonuses	22,716	31,345	39,138
Post-employment benefits			
—Contribution to pension scheme	404	525	453
Total	23,120	31,870	39,591

Total remuneration is included in "staff costs" (see Note 11).

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

56 SEGMENT REPORTING

During 2014, the Management commenced to allocate resources and assess the segment performance based on the revised grouping of operating segments. Accordingly, the Relevant Periods' segment reporting presentation has been presented in accordance with the new approach adopted by the Management in the Financial Information.

- Brokerage and wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of clients, and also selling securities products and services to institutional investor clients and providing professional research services to facilitate their investment decisions. Moreover, the activities of providing margin financing, securities lending, securities-backed lending, stock repurchases and sell financial products are included in this segment.
- Investment banking segment provides investment banking services to the Group's corporate clients, including financial advisory, equity underwriting and debt underwriting as well as National Equities Exchange and Quotations and regional equity exchange-related services.
- Asset management segment manages the developing of asset management products and services based on the asset scale and clients' needs, provides traditional asset management services, and operates private equity asset management business through wholly-owned subsidiaries.
- Investment and trading segment engages in trading equity securities, fixed-income securities, derivatives and other financial products for own account for the objective of achieving investment income, developing and issuing OTC financial products, and trading with counterparties over the counter.
- Overseas business and others segment includes the overseas business of Hong Kong subsidiaries and other operations of head office, including interest income and interest expense incurred for general working capital purpose.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

56 SEGMENT REPORTING—continued

(a) Business segments

For the year ended December 31, 2012

	Brokerage and wealth management	Investment banking	Asset management	Investment and trading	Overseas business and others	Segment total
Revenue						
—External	4,582,507	1,078,379	122,568	735,855	362,835	6,882,144
—Inter-segment	16,631	—	—	—	—	16,631
Other income and gains	15,760	73,743	3	30	39,586	129,122
Segment revenue and other income	4,614,898	1,152,122	122,571	735,885	402,421	7,027,897
Segment expenses	(3,171,089)	(868,659)	(67,428)	(441,631)	(561,984)	(5,110,791)
Segment operating profit/(loss)	1,443,809	283,463	55,143	294,254	(159,563)	1,917,106
Share of profit of associates	—	—	—	—	208,715	208,715
Profit before income tax	1,443,809	283,463	55,143	294,254	49,152	2,125,821
Interest income	1,156,604	135,109	22,795	22,146	247,660	1,584,314
Interest expenses	(171,422)	(14,697)	—	(230,331)	(249)	(416,699)
Depreciation and amortization	(213,702)	(14,673)	(1,723)	(1,330)	(112,234)	(343,662)
Reversal of/(provision for) impairment losses	(123)	2,935	—	—	731	3,543
Segment assets	46,996,814	5,104,669	6,690,811	19,027,470	29,268,205	107,087,969
Additions to non-current segment assets during the year	1,038,852	7,407	992	3,216	315,977	1,366,444
Segment liabilities	(45,186,268)	(535,064)	(5,865,325)	(18,977,202)	(1,343,696)	(71,907,555)

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

56 SEGMENT REPORTING—continued

(a) Business segments—continued

For the year ended December 31, 2013

	Brokerage and wealth management	Investment banking	Asset management	Investment and trading	Overseas business and others	Segment total
Revenue						
—External	6,852,313	892,103	385,939	545,862	248,036	8,924,253
—Inter-segment	2,779	—	—	—	125,400	128,179
Other income and gains	28,232	4,551	1,153	38	42,020	75,994
Segment revenue and other income	6,883,324	896,654	387,092	545,900	415,456	9,128,426
Segment expenses	(3,566,695)	(595,229)	(112,293)	(640,438)	(1,359,753)	(6,274,408)
Segment operating profit/(loss)	3,316,629	301,425	274,799	(94,538)	(944,297)	2,854,018
Share of profit of associates	—	—	—	—	219,170	219,170
Profit/(loss) before income tax	3,316,629	301,425	274,799	(94,538)	(725,127)	3,073,188
Interest income	2,063,807	117,649	176,097	41,959	116,654	2,516,166
Interest expenses	(210,114)	—	(3,725)	(481,374)	(317,979)	(1,013,192)
Depreciation and amortization	(191,255)	(18,535)	(1,839)	(1,987)	(124,448)	(338,064)
Reversal of/(provision for) impairment losses	70	66,354	—	(41,186)	(1,156)	24,082
Segment assets	58,277,290	5,259,453	18,368,967	25,620,317	40,536,024	148,062,051
Additions to non-current segment assets during the year	159,205	58,776	1,897	2,276	313,962	536,116
Segment liabilities	(56,358,531)	(511,077)	(17,341,158)	(25,014,382)	(12,035,926)	(111,261,074)

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

56 SEGMENT REPORTING—continued

(a) Business segments—continued

For the year ended December 31, 2014

	Brokerage and wealth management	Investment banking	Asset management	Investment and trading	Overseas business and others	Segment total
Revenue						
—External	10,253,597	1,389,262	1,373,880	2,229,855	410,275	15,656,869
—Inter-segment	1,022	—	—	—	8,879	9,901
Other income and gains	68,127	42,156	2,330	191,559	17,444	321,616
Segment revenue and other income	10,322,746	1,431,418	1,376,210	2,421,414	436,598	15,988,386
Segment expenses	(5,776,414)	(981,189)	(300,531)	(1,056,927)	(2,234,621)	(10,349,682)
Segment operating profit/(loss)	4,546,332	450,229	1,075,679	1,364,487	(1,798,023)	5,638,704
Share of profit of associates	—	551	(4,043)	—	288,483	284,991
Profit/(loss) before income tax	4,546,332	450,780	1,071,636	1,364,487	(1,509,540)	5,923,695
Interest income	3,676,933	130,545	790,605	40,188	212,534	4,850,805
Interest expenses	(847,751)	—	(72,209)	(618,142)	(927,893)	(2,465,995)
Depreciation and amortization	(159,000)	(19,022)	(3,203)	(2,983)	(128,123)	(312,331)
Reversal of/(provision for) impairment losses	(18,061)	6,447	—	(1,045)	(5,032)	(17,691)
Segment assets	151,991,707	3,911,596	60,855,372	31,038,255	70,882,123	318,679,053
Additions to non-current segment assets during the year	58,350	5,253	10,565	6,673	1,258,695	1,339,536
Segment liabilities	(148,246,433)	(899,628)	(55,390,532)	(28,640,444)	(43,557,608)	(276,734,645)

Reconciliations of segment revenues, profit or loss, assets and liabilities:

	For the year ended December 31,		
	2012	2013	2014
Revenue			
Total revenue and other income for segments	7,027,897	9,128,426	15,988,386
Elimination of inter-segment revenue	(16,631)	(128,179)	(9,901)
Consolidated revenue and other income	7,011,266	9,000,247	15,978,485
Profit			
Total profit before income tax for segments	2,125,821	3,073,188	5,923,695
Elimination of inter-segment profit	—	(125,400)	(8,879)
Consolidated profit before income tax	2,125,821	2,947,788	5,914,816

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

56 SEGMENT REPORTING—continued

(a) Business segments—continued

	As at December 31, 2012	2013	2014
Assets			
Total assets for segments	107,087,969	148,062,051	318,679,053
Elimination of inter-segment assets	(21,232,094)	(31,848,374)	(46,453,017)
Consolidated total assets	85,855,875	116,213,677	272,226,036
Liabilities			
Total liabilities for segments	(71,907,555)	(111,261,074)	(276,734,645)
Elimination of inter-segment liabilities	21,232,094	31,848,374	46,453,017
Consolidated total liabilities	(50,675,461)	(79,412,700)	(230,281,628)

For the year ended 2012, 2013 and 2014, the Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.

(b) Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property and equipment, investment properties, goodwill, other intangible assets, interest in associates and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment and other non-current assets, the location of the operation to which they are allocated, in the case of goodwill and other intangible assets, and the location of operations, in the case of interest in associates.

	For the year ended December 31, 2012			For the year ended December 31, 2013			For the year ended December 31, 2014		
	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total
Segment Revenue									
Revenue from external customers	6,821,913	60,231	6,882,144	8,846,536	77,717	8,924,253	15,498,573	158,296	15,656,869
Other income and gains	126,145	2,977	129,122	72,981	3,013	75,994	320,538	1,078	321,616
Total	6,948,058	63,208	7,011,266	8,919,517	80,730	9,000,247	15,819,111	159,374	15,978,485

	As at December 31, 2012			As at December 31, 2013			As at December 31, 2014		
	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total
Specified non-current assets	4,517,167	6,751	4,523,918	5,147,359	5,483	5,152,842	6,398,136	15,426	6,413,562

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group monitors and controls key exposures to the credit risk, market risk, liquidity risk and operational risk from its use of financial instruments.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

During the reporting period, the Group was exposed to four types of credit risk: (i) default risk of the issuer or counterparty in debt securities trading; (ii) risk of losses arising from default of customers in credit business such as margin financing and securities lending, securities-backed lending and stock repurchases; (iii) risk of losses to the funds of the Company or customers arising from default of the financing party in innovative credit business; and (iv) default risk of other fixed income financial assets except for debt securities and derivative financial assets, which refers to risk of assets losses caused by counterparty defaults.

The Group uses its risk management systems to monitor its credit risk on a real time basis, keep track of the credit risk of the Group's business products and its transaction counterparties, provide analyses and pre-warning reports, and adjust its credit limits in a timely manner. The Group will also measure the credit risks of its major operations through stress test and sensitivity analysis.

For credit risk in debt securities trading, the Group monitors the issuer and bonds during the reporting period. The Group established the credit rating framework and conducted research on the debt securities held by the Group. The Group also assessed the creditability of counterparties to mitigate related default risk. In respect of margin financing and securities lending, securities-backed lending and stock repurchases business, the Group evaluate the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determine the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and securities lending, securities-backed lending and stock repurchases business and promptly communicated with customers on any abnormalities identified to avoid defaults. In respect of innovative credit business, preliminary due diligence was performed with a comprehensive project feasibility report and a due diligence report submitted for approval by the Group before a project can be launched.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(a) Credit risk—continued

(i) Maximum exposure to credit risk

Maximum exposure to credit risk of the Group and the Company without taking account of any collateral and other credit enhancements:

The Group

	As at December 31,		
	2012	2013	2014
Held-to-maturity investments	205,000	5,000	5,000
Refundable deposits	3,608,043	3,530,103	4,482,845
Accounts receivable	344,408	97,659	362,653
Other receivables and prepayments	264,816	1,064,146	1,903,782
Margin accounts receivable	6,401,538	19,852,225	64,636,739
Available-for-sale financial assets	1,949,534	471,992	399,207
Financial assets held under resale agreements	596,744	6,088,111	20,710,026
Financial assets at fair value through profit or loss	11,060,389	17,566,137	35,536,610
Derivative financial assets	—	—	20,815
Clearing settlement funds	304,084	639,168	544,255
Cash held on behalf of brokerage clients	33,309,770	29,129,968	71,536,310
Bank balances	11,340,729	17,179,804	36,001,085
Total maximum credit risk exposure	69,385,055	95,624,313	236,139,327

The Company

	As at December 31,		
	2012	2013	2014
Held-to-maturity investments	205,000	5,000	5,000
Refundable deposits	322,111	706,284	1,267,519
Accounts receivable	46,076	18,350	132,232
Other receivables and prepayments	200,240	803,669	1,173,655
Margin accounts receivable	6,078,962	19,324,069	64,497,968
Available-for-sale financial assets	1,949,534	430,992	249,896
Financial assets held under resale agreements	587,444	4,714,611	8,070,324
Financial assets at fair value through profit or loss	10,675,892	15,378,611	15,906,409
Derivative financial assets	—	—	17,329
Cash held on behalf of brokerage clients	31,119,231	26,561,927	66,934,461
Bank balances	2,218,745	1,717,960	12,379,803
Total maximum credit risk exposure	53,403,235	69,661,473	170,634,596

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(a) Credit risk—continued

(ii) Risk concentrations

The Group's and the Company's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorized by geographical area:

The Group

	By geographical area		
	Mainland China	Outside Mainland China	Total
December 31, 2012			
Held-to-maturity investments	205,000	—	205,000
Refundable deposits	3,607,100	943	3,608,043
Accounts receivable	51,807	292,601	344,408
Other receivables and prepayments	264,816	—	264,816
Margin accounts receivable	6,078,962	322,576	6,401,538
Available-for-sale financial assets	1,949,534	—	1,949,534
Financial assets held under resale agreements	596,744	—	596,744
Financial assets at fair value through profit or loss	11,060,389	—	11,060,389
Clearing settlement funds	304,084	—	304,084
Cash held on behalf of brokerage clients	33,067,881	241,889	33,309,770
Bank balances	11,255,411	85,318	11,340,729
Total maximum credit risk exposure	68,441,728	943,327	69,385,055

The Group

	By geographical area		
	Mainland China	Outside Mainland China	Total
December 31, 2013			
Held-to-maturity investments	5,000	—	5,000
Refundable deposits	3,530,103	—	3,530,103
Accounts receivable	17,145	80,514	97,659
Other receivables and prepayments	1,064,146	—	1,064,146
Margin accounts receivable	19,399,839	452,386	19,852,225
Available-for-sale financial assets	471,992	—	471,992
Financial assets held under resale agreements	6,088,111	—	6,088,111
Financial assets at fair value through profit or loss	17,566,137	—	17,566,137
Clearing settlement funds	639,168	—	639,168
Cash held on behalf of brokerage clients	28,826,117	303,851	29,129,968
Bank balances	16,929,472	250,332	17,179,804
Total maximum credit risk exposure	94,537,230	1,087,083	95,624,313

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(a) Credit risk—continued

(ii) Risk concentrations—continued

The Group

	By geographical area		
	Mainland China	Outside Mainland China	Total
December 31, 2014			
Held-to-maturity investments	5,000	—	5,000
Refundable deposits	4,482,818	27	4,482,845
Accounts receivable	113,089	249,564	362,653
Other receivables and prepayments	1,894,084	9,698	1,903,782
Margin accounts receivable	64,497,968	138,771	64,636,739
Available-for-sale financial assets	399,207	—	399,207
Financial assets held under resale agreements	20,710,026	—	20,710,026
Financial assets at fair value through profit or loss	34,935,373	601,237	35,536,610
Derivative financial assets	17,333	3,482	20,815
Clearing settlement funds	540,747	3,508	544,255
Cash held on behalf of brokerage clients	71,142,604	393,706	71,536,310
Bank balances	33,681,604	2,319,481	36,001,085
Total maximum credit risk exposure	232,419,853	3,719,474	236,139,327

(iii) Credit rating analysis of financial assets

The Group adopts credit rating method to monitor the credit risk of the debt securities portfolio. Rating of debt securities is referred from major rating institutions in which debt issuers located. The carrying amounts of debt securities at the end of the relevant period are categorized by rating distribution as follows:

The Group

	As at December 31,		
	2012	2013	2014
Rating			
—AAA	3,929,808	3,705,428	6,043,043
—From A to AA+	5,794,881	10,375,875	22,087,557
—A-1	972,670	1,050,590	2,372,397
Sub-total	10,697,359	15,131,893	30,502,997
Non-rated(1)	1,894,809	2,649,573	4,380,192
Total	12,592,168	17,781,466	34,883,189

(1): Non-rated financial assets mainly represent debts instruments and trading securities issued by the MOF, the PBOC, and policy banks, which are creditworthy issuers in the market, but are not rated by independent rating agencies.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(a) Credit risk—continued

(iii) Credit rating analysis of financial assets—continued

The Company

	As at December 31,		
	2012	2013	2014
Rating			
—AAA	3,857,156	3,484,321	4,211,475
—From A to AA+	5,553,210	8,721,263	8,345,131
—A-1	912,379	1,010,887	1,937,424
Sub-total	10,322,745	13,216,471	14,494,030
Non-rated[(1)]	1,884,926	2,336,469	609,649
Total	12,207,671	15,552,940	15,103,679

(1): Non-rated financial assets mainly represent debts instruments and trading securities issued by MOF, the PBOC, and policy banks, which are creditworthy issuers in the market, but are not rated by independent rating agencies.

(b) Liquidity risk

Liquidity risk arises in the investment activities, financing activities and capital management of the Group. Liquidity risk includes: (1) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small; (2) funding liquidity of being unable to meet financial obligations when they come due.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(b) Liquidity risk—continued

The following tables show the details of the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities and derivate financial liabilities. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	As at December 31, 2012								
	Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Financial Liabilities									
Short-term debt instruments issued	—	—	—	—	—	—	—	—	—
Placements from other financial institutions	600,000	—	601,687	—	—	—	—	—	601,687
Accounts payable to brokerage clients	34,497,963	34,497,963	—	—	—	—	—	—	34,497,963
Other payables and accruals	7,361,974	7,326,127	23,749	—	12,098	—	—	—	7,361,974
Financial assets sold under repurchase agreements	6,328,170	—	6,311,537	29,036	—	—	—	—	6,340,573
Derivative financial liabilities	16	—	—	16	—	—	—	—	16
Financial liabilities at fair value through profit or loss	102,808	102,808	—	—	—	—	—	—	102,808
Long-term bonds	—	—	—	—	—	—	—	—	—
Long-term bank loans	—	—	—	—	—	—	—	—	—
Total	48,890,931	41,926,898	6,936,973	29,052	12,098	—	—	—	48,905,021

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(b) Liquidity risk—continued

The Group

	As at December 31, 2013								
	Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Financial Liabilities									
Short-term debt instruments issued	8,000,000	—	3,037,249	5,074,263	—	—	—	—	8,111,512
Placements from other financial institutions	1,085,000	—	531,861	564,820	—	—	—	—	1,096,681
Accounts payable to brokerage clients	30,842,572	30,842,572	—	—	—	—	—	—	30,842,572
Other payables and accruals	16,943,232	16,845,063	46,931	—	51,238	—	—	—	16,943,232
Financial assets sold under repurchase agreements	9,868,824	—	6,460,937	6,066	3,618,256	—	—	—	10,085,259
Derivative financial liabilities	3,055	—	—	3,055	—	—	—	—	3,055
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	—	—	—
Long-term bonds	9,980,104	—	41,100	82,200	369,900	5,863,600	7,351,500	—	13,708,300
Long-term bank loans	—	—	—	—	—	—	—	—	—
Total	76,722,787	47,687,635	10,118,078	5,730,404	4,039,394	5,863,600	7,351,500	—	80,790,611

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(b) Liquidity risk—continued

The Group

	As at December 31, 2014								
	Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Financial Liabilities									
Short-term debt instruments issued	24,787,070	—	6,022,077	5,802,138	15,244,840	—	—	—	27,069,055
Placements from other financial institutions	1,500,000	—	—	1,286,653	257,330	—	—	—	1,543,983
Accounts payable to brokerage clients	70,228,405	70,228,405	—	—	—	—	—	—	70,228,405
Other payables and accruals	56,339,395	52,991,598	48,052	107,547	1,526,411	822,000	843,787	—	56,339,395
Financial assets sold under repurchase agreements	49,668,228	—	9,661,347	5,833,954	30,801,878	5,542,998	—	—	51,840,177
Derivative financial liabilities	730,743	—	—	104,096	106,093	520,554	—	—	730,743
Financial liabilities at fair value through profit or loss	9,245	—	—	—	—	—	—	9,245	9,245
Long-term bonds	21,345,324	—	93,036	186,071	837,319	15,919,120	7,045,500	—	24,081,046
Long-term bank loans	138,658	—	692	1,386	6,240	142,830	—	—	151,148
Total	224,747,068	123,220,003	15,825,204	13,321,845	48,780,111	22,947,502	7,889,287	9,245	231,993,197

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(b) Liquidity risk—continued

The Company

	As at December 31, 2012								
	Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Financial Liabilities									
Short-term debt instruments issued	—	—	—	—	—	—	—	—	—
Placements from other financial institutions	600,000	—	601,687	—	—	—	—	—	601,687
Accounts payable to brokerage clients	29,362,835	29,362,835	—	—	—	—	—	—	29,362,835
Other payables and accruals	1,320,807	1,284,960	23,749	—	12,098	—	—	—	1,320,807
Financial assets sold under repurchase agreements	6,328,170	—	6,311,537	29,036	—	—	—	—	6,340,573
Derivative financial liabilities	16	—	—	16	—	—	—	—	16
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	—	—	—
Long-term bonds	—	—	—	—	—	—	—	—	—
Long-term bank loans	—	—	—	—	—	—	—	—	—
Total	37,611,828	30,647,795	6,936,973	29,052	12,098	—	—	—	37,625,918

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(b) Liquidity risk—continued

The Company

	As at December 31, 2013								
	Carrying amount	**Overdue/ repayable on demand**	**Less than 1 month**	**More than 1 month but less than 3 months**	**More than 3 months but less than 1 year**	**More than 1 year but less than 5 years**	**More than 5 years**	**Undated**	**Total**
Financial Liabilities									
Short-term debt instruments issued	8,000,000	—	3,037,249	5,074,263	—	—	—	—	8,111,512
Placements from other financial institutions	1,085,000	—	531,861	564,820	—	—	—	—	1,096,681
Accounts payable to brokerage clients	25,992,250	25,992,250	—	—	—	—	—	—	25,992,250
Other payables and accruals	288,894	190,725	46,931	—	51,238	—	—	—	288,894
Financial assets sold under repurchase agreements	8,941,325	—	5,533,438	6,066	3,618,256	—	—	—	9,157,760
Derivative financial liabilities	3,055	—	—	3,055	—	—	—	—	3,055
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	—	—	—
Long-term bonds	9,980,104	—	41,100	82,200	369,900	5,863,600	7,351,500	—	13,708,300
Long-term bank loans	—	—	—	—	—	—	—	—	—
Total	54,290,628	26,182,975	9,190,579	5,730,404	4,039,394	5,863,600	7,351,500	—	58,358,452

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(b) Liquidity risk—continued

The Company

	As at December 31, 2014								
	Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Financial Liabilities									
Short-term debt instruments issued	24,787,070	—	6,022,077	5,802,138	15,244,840	—	—	—	27,069,055
Placements from other financial institutions	1,500,000	—	—	1,286,653	257,330	—	—	—	1,543,983
Accounts payable to brokerage clients	63,032,501	63,032,501	—	—	—	—	—	—	63,032,501
Other payables and accruals	5,133,341	2,629,331	48,052	107,547	1,526,411	822,000	—	—	5,133,341
Financial assets sold under repurchase agreements	44,478,761	—	4,477,602	5,833,954	30,790,914	5,542,998	—	—	46,645,468
Derivative financial liabilities	729,314	—	—	102,667	106,093	520,554	—	—	729,314
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	—	—	—
Long-term bonds	18,974,610	—	85,642	171,283	770,775	15,586,400	7,045,500	—	23,659,600
Long-term bank loans	138,658	—	692	1,386	6,240	142,830	—	—	151,148
Total	158,774,255	65,661,832	10,634,065	13,305,628	48,702,603	22,614,782	7,045,500	—	167,964,410

(c) Market risk

Market risk is the risk of loss, in respect of the Group's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and so on. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximize the risk adjusted return.

(i) Interest rate risk

Interest rate risk refers to the likelihood of loss that may arise from adverse movements in the market interest rate. The Group's interest rate risk mainly arises from interest rate policy changes and the mismatch of interest-sensitive assets and liabilities.

The Group mainly manages interest rate risk through structuring and adjusting its asset portfolio. The Group's asset portfolio management aims at mitigating risks and improving profitability by diversification of assets.

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Interest rate risk—continued

The following tables indicate the assets and liabilities as at the end of the Relevant Periods by the expected next repricing dates or by maturity dates, depending on which is earlier:

The Group

	As at December 31, 2012						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	Total
Financial assets							
Held-to-maturity investments	200,000	—	—	5,000	—	—	205,000
Available-for-sale financial assets	186,784	326,776	385,783	234,664	392,772	9,360,543	10,887,322
Financial assets held under resale agreements	347,417	11,521	237,806	—	—	—	596,744
Refundable deposits	1,008,056	—	—	—	—	2,599,987	3,608,043
Accounts receivable	—	—	—	—	—	344,408	344,408
Other receivables and prepayments	—	—	—	—	—	144,528	144,528
Margin accounts receivable	439,930	1,175,637	4,785,971	—	—	—	6,401,538
Financial assets at fair value through profit or loss	671,280	1,004,927	3,129,108	2,412,413	4,004,707	2,547,333	13,769,768
Derivative financial assets	—	—	—	—	—	—	—
Clearing settlement funds	304,084	—	—	—	—	—	304,084
Cash held on behalf of brokerage clients	33,009,770	—	300,000	—	—	—	33,309,770
Cash and bank balances	9,301,729	1,269,000	770,000	—	—	989	11,341,718
Total	45,469,050	3,787,861	9,608,668	2,652,077	4,397,479	14,997,788	80,912,923

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Interest rate risk—continued

The Group

	As at December 31, 2012						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	Total
Financial liabilities							
Short-term debt instruments issued	—	—	—	—	—	—	—
Placements from other financial institutions	(600,000)	—	—	—	—	—	(600,000)
Accounts payable to brokerage clients	(34,497,963)	—	—	—	—	—	(34,497,963)
Other payables and accruals	—	—	—	—	—	(7,349,938)	(7,349,938)
Financial assets sold under repurchase agreements	(6,300,725)	(27,445)	—	—	—	—	(6,328,170)
Derivative financial liabilities	(16)	—	—	—	—	—	(16)
Financial liabilities at fair value through profit or loss	—	—	—	—	—	(102,808)	(102,808)
Long-term bonds	—	—	—	—	—	—	—
Long-term bank loans	—	—	—	—	—	—	—
Total	(41,398,704)	(27,445)	—	—	—	(7,452,746)	(48,878,895)
Net interest rate risk exposure	4,070,346	3,760,416	9,608,668	2,652,077	4,397,479	7,545,042	32,034,028

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Interest rate risk—continued

The Group

	As at December 31, 2013						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	Total
Financial assets							
Held-to-maturity investments	—	—	—	5,000	—	—	5,000
Available-for-sale financial assets	238,601	—	—	238,857	—	8,208,318	8,685,776
Financial assets held under resale agreements	3,128,575	565,548	2,025,988	368,000	—	—	6,088,111
Refundable deposits	1,352,553	—	—	—	—	2,177,550	3,530,103
Accounts receivable	—	—	—	—	—	97,659	97,659
Other receivables and prepayments	—	—	50,000	—	—	112,062	162,062
Margin accounts receivable	912,826	3,605,878	15,333,521	—	—	—	19,852,225
Financial assets at fair value through profit or loss	3,267,001	529,981	2,798,765	9,101,449	4,998,907	3,645,022	24,341,125
Derivative financial assets	—	—	—	—	—	—	—
Clearing settlement funds	639,168	—	—	—	—	—	639,168
Cash held on behalf of brokerage clients	28,979,968	150,000	—	—	—	—	29,129,968
Cash and bank balances	12,354,802	3,051,187	1,773,815	—	—	635	17,180,439
Total	50,873,494	7,902,594	21,982,089	9,713,306	4,998,907	14,241,246	109,711,636

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Interest rate risk—continued

The Group

	As at December 31, 2013						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	Total
Financial liabilities							
Short-term debt instruments issued	(3,000,000)	(5,000,000)	—	—	—	—	(8,000,000)
Placements from other financial institutions	(530,000)	(555,000)	—	—	—	—	(1,085,000)
Accounts payable to brokerage clients	(30,842,572)	—	—	—	—	—	(30,842,572)
Other payables and accruals	—	—	—	—	—	(16,943,232)	(16,943,232)
Financial assets sold under repurchase agreements	(6,452,625)	(6,028)	(3,410,171)	—	—	—	(9,868,824)
Derivative financial liabilities	(94)	—	—	—	—	(2,961)	(3,055)
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	—
Long-term bonds	—	—	—	(3,992,473)	(5,987,631)	—	(9,980,104)
Long-term bank loans	—	—	—	—	—	—	—
Total	(40,825,291)	(5,561,028)	(3,410,171)	(3,992,473)	(5,987,631)	(16,946,193)	(76,722,787)
Net interest rate risk exposure	10,048,203	2,341,566	18,571,918	5,720,833	(988,724)	(2,704,947)	32,988,849

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Interest rate risk—continued

The Group

	As at December 31, 2014						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	Total
Financial assets							
Held-to-maturity investments	—	—	—	5,000	—	—	5,000
Available-for-sale financial assets	1,216,025	1,211,071	1,512,208	57,117	—	5,279,727	9,276,148
Financial assets held under resale agreements	5,776,242	858,369	11,675,295	2,400,120	—	—	20,710,026
Refundable deposits	2,103,833	—	—	—	—	2,379,012	4,482,845
Accounts receivable	—	—	—	—	—	362,653	362,653
Other receivables and prepayments	—	—	—	—	—	152,105	152,105
Margin accounts receivable	544,822	4,173,508	59,918,409	—	—	—	64,636,739
Financial assets at fair value through profit or loss	11,967,038	1,628,813	7,234,596	16,355,729	8,325,945	10,487,837	55,999,958
Derivative financial assets	17,245	84	—	—	—	3,486	20,815
Clearing settlement funds	544,255	—	—	—	—	—	544,255
Cash held on behalf of brokerage clients	70,836,310	250,000	450,000	—	—	—	71,536,310
Cash and bank balances	28,258,055	2,164,224	5,578,806	—	—	542	36,001,627
Total	121,263,825	10,286,069	86,369,314	18,817,966	8,325,945	18,665,362	263,728,481

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Interest rate risk—continued

The Group

	As at December 31, 2014						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	Total
Financial liabilities							
Short-term debt instruments issued	(4,482,000)	(5,737,290)	(14,567,780)	—	—	—	(24,787,070)
Placements from other financial institutions	—	(1,250,000)	(250,000)	—	—	—	(1,500,000)
Accounts payable to brokerage clients	(70,228,405)	—	—	—	—	—	(70,228,405)
Other payables and accruals	—	—	—	—	—	(56,339,395)	(56,339,395)
Financial assets sold under repurchase agreements	(9,642,128)	(5,667,800)	(29,358,300)	(5,000,000)	—	—	(49,668,228)
Derivative financial liabilities	(49,066)	(94)	—	—	—	(681,583)	(730,743)
Financial liabilities at fair value through profit or loss	—	—	—	—	—	(9,245)	(9,245)
Long-term bonds	—	—	—	(15,357,126)	(5,988,198)	—	(21,345,324)
Long-term bank loans	—	—	—	(138,658)	—	—	(138,658)
Total	(84,401,599)	(12,655,184)	(44,176,080)	(20,495,784)	(5,988,198)	(57,030,223)	(224,747,068)
Net interest rate risk exposure	36,862,226	(2,369,115)	42,193,234	(1,677,818)	2,337,747	(38,364,861)	38,981,413

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Interest rate risk—continued

The Company

	As at December 31, 2012						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	Total
Financial assets							
Held-to-maturity investments	200,000	—	—	5,000	—	—	205,000
Available-for-sale financial assets	186,784	326,776	385,783	234,664	392,772	6,957,166	8,483,945
Financial assets held under resale agreements	338,117	11,521	237,806	—	—	—	587,444
Refundable deposits	50,850	—	—	—	—	271,261	322,111
Accounts receivable	—	—	—	—	—	46,076	46,076
Other receivables and prepayments	—	—	—	—	—	111,226	111,226
Margin accounts receivable	117,354	1,175,637	4,785,971	—	—	—	6,078,962
Financial assets at fair value through profit or loss	480,344	987,752	2,860,161	2,392,782	3,954,853	2,542,374	13,218,266
Derivative financial assets	—	—	—	—	—	—	—
Clearing settlement funds	686,739	—	—	—	—	100	686,839
Cash held on behalf of brokerage clients	31,119,231	—	—	—	—	—	31,119,231
Cash and bank balances	2,218,745	—	—	—	—	753	2,219,498
Total	35,398,164	2,501,686	8,269,721	2,632,446	4,347,625	9,928,956	63,078,598

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Interest rate risk—continued

The Company

	As at December 31, 2012						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	Total
Financial liabilities							
Short-term debt instruments issued	—	—	—	—	—	—	—
Placements from other financial institutions	(600,000)	—	—	—	—	—	(600,000)
Accounts payable to brokerage clients	(29,362,835)	—	—	—	—	—	(29,362,835)
Other payables and accruals	—	—	—	—	—	(1,320,807)	(1,320,807)
Financial assets sold under repurchase agreements	(6,300,725)	(27,445)	—	—	—	—	(6,328,170)
Derivative financial liabilities	(16)	—	—	—	—	—	(16)
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	—
Long-term bonds	—	—	—	—	—	—	—
Long-term bank loans	—	—	—	—	—	—	—
Total	(36,263,576)	(27,445)	—	—	—	(1,320,807)	(37,611,828)
Net interest rate risk exposure	(865,412)	2,474,241	8,269,721	2,632,446	4,347,625	8,608,149	25,466,770

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Interest rate risk—continued

The Company

	As at December 31, 2013						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	Total
Financial assets							
Held-to-maturity investments	—	—	—	5,000	—	—	5,000
Available-for-sale financial assets	238,601	—	—	238,857	—	5,684,138	6,161,596
Financial assets held under resale agreements	1,755,075	565,548	2,025,988	368,000	—	—	4,714,611
Refundable deposits	190,511	—	—	—	—	515,773	706,284
Accounts receivable	—	—	—	—	—	18,350	18,350
Other receivables and prepayments	—	—	—	—	—	76,746	76,746
Margin accounts receivable	460,439	3,605,879	15,257,751	—	—	—	19,324,069
Financial assets at fair value through profit or loss	1,102,358	473,550	2,577,006	8,026,631	4,151,727	3,242,594	19,573,866
Derivative financial assets	—	—	—	—	—	—	—
Clearing settlement funds	1,101,483	—	—	—	—	—	1,101,483
Cash held on behalf of brokerage clients	26,561,927	—	—	—	—	—	26,561,927
Cash and bank balances	1,656,971	60,969	—	—	—	425	1,718,365
Total	33,067,365	4,705,946	19,860,745	8,638,488	4,151,727	9,538,026	79,962,297

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Interest rate risk—continued

The Company

	As at December 31, 2013						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	Total
Financial liabilities							
Short-term debt instruments issued	(3,000,000)	(5,000,000)	—	—	—	—	(8,000,000)
Placements from other financial institutions	(530,000)	(555,000)	—	—	—	—	(1,085,000)
Accounts payable to brokerage clients	(25,992,250)	—	—	—	—	—	(25,992,250)
Other payables and accruals	—	—	—	—	—	(288,894)	(288,894)
Financial assets sold under repurchase agreements	(5,525,126)	(6,028)	(3,410,171)	—	—	—	(8,941,325)
Derivative financial liabilities	(94)	—	—	—	—	(2,961)	(3,055)
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	—
Long-term bonds	—	—	—	(3,992,473)	(5,987,631)	—	(9,980,104)
Long-term bank loans	—	—	—	—	—	—	—
Total	(35,047,470)	(5,561,028)	(3,410,171)	(3,992,473)	(5,987,631)	(291,855)	(54,290,628)
Net interest rate risk exposure	(1,980,105)	(855,082)	16,450,574	4,646,015	(1,835,904)	9,246,171	25,671,669

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Interest rate risk—continued

The Company

	As at December 31, 2014						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	Total
Financial assets							
Held-to-maturity investments	—	—	—	5,000	—	—	5,000
Available-for-sale financial assets	741,322	1,079,621	116,052	5,194	—	6,183,560	8,125,749
Financial assets held under resale agreements	972,590	561,669	6,053,465	482,600	—	—	8,070,324
Refundable deposits	1,259,447	—	—	—	—	8,072	1,267,519
Accounts receivable	—	—	—	—	—	132,232	132,232
Other receivables and prepayments	—	—	—	—	—	110,773	110,773
Margin accounts receivable	406,051	4,173,508	59,918,409	—	—	—	64,497,968
Financial assets at fair value through profit or loss	1,952,355	962,014	5,344,829	7,091,838	1,155,991	10,376,302	26,883,329
Derivative financial assets	17,245	84	—	—	—	—	17,329
Clearing settlement funds	974,429	—	—	—	—	—	974,429
Cash held on behalf of brokerage clients	66,934,461	—	—	—	—	—	66,934,461
Cash and bank balances	12,379,803	—	—	—	—	203	12,380,006
Total	85,637,703	6,776,896	71,432,755	7,584,632	1,155,991	16,811,142	189,399,119

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Interest rate risk—continued

The Company

	As at December 31, 2014						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest-bearing	Total
Financial liabilities							
Short-term debt instruments issued	(4,482,000)	(5,737,290)	(14,567,780)	—	—	—	(24,787,070)
Placements from other financial institutions	—	(1,250,000)	(250,000)	—	—	—	(1,500,000)
Accounts payable to brokerage clients	(63,032,501)	—	—	—	—	—	(63,032,501)
Other payables and accruals	—	—	—	—	—	(5,133,341)	(5,133,341)
Financial assets sold under repurchase agreements	(4,462,661)	(5,667,800)	(29,348,300)	(5,000,000)	—	—	(44,478,761)
Derivative financial liabilities	(47,656)	(94)	—	—	—	(681,564)	(729,314)
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	—
Long-term bonds	—	—	—	(12,986,412)	(5,988,198)	—	(18,974,610)
Long-term bank loans	—	—	—	(138,658)	—	—	(138,658)
Total	(72,024,818)	(12,655,184)	(44,166,080)	(18,125,070)	(5,988,198)	(5,814,905)	(158,774,255)
Net interest rate risk exposure	13,612,885	(5,878,288)	27,266,675	(10,540,438)	(4,832,207)	10,996,237	30,624,864

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Interest rate risk—continued

Sensitivity analysis

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's and the Company's net profit and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

The Group

	Sensitivity of net profit		
	As at December 31,		
	2012	2013	2014
Move in yield curve			
Up 100 basis points	(300,489)	(357,217)	(533,147)
Down 100 basis points	344,280	405,941	585,128

	Sensitivity of equity		
	As at December 31,		
	2012	2013	2014
Move in yield curve			
Up 100 basis points	(341,233)	(361,482)	(538,141)
Down 100 basis points	389,993	410,664	590,402

The Company

	Sensitivity of net profit		
	As at December 31,		
	2012	2013	2014
Move in yield curve			
Up 100 basis points	(294,332)	(318,593)	(183,408)
Down 100 basis points	337,516	363,231	201,865

	Sensitivity of equity		
	As at December 31,		
	2012	2013	2014
Move in yield curve			
Up 100 basis points	(335,076)	(322,858)	(187,282)
Down 100 basis points	383,230	367,954	206,019

The sensitivity analysis above indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(i) Interest rate risk—continued

reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's net profit and equity is estimated as an annualized impact on interest expense or income of such a change in interest rates.

(ii) Currency risk

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates. The Group adopts sensitivity analysis to measure currency risk.

Assuming all other risk variables remained constant and without consideration of risk management measures undertaken by the Group, a 10% strengthening of the RMB against the US dollar ("USD") and HKD at the reporting date would have increased/(decreased) the Group's and the Company's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the reporting date:

The Group

	Sensitivity of net profit/equity		
	As at December 31,		
Currency	**2012**	**2013**	**2014**
USD	(20,756)	(11,026)	(9,926)
HKD	(6,822)	(6,024)	(2,741)

The Company

	Sensitivity of net profit/equity		
	As at December 31,		
Currency	**2012**	**2013**	**2014**
USD	(13,253)	(8,418)	(9,482)
HKD	(3,055)	(2,530)	(2,735)

A 10% weakening of the RMB against the USD and HKD at balance date would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

Due to the above assumptions, the result of sensitivity analysis on exchange rate changes may be different, compared with the actual changes in the Group's or the Company's net profit and equity of may arise with this.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(iii) Price risk

The group is exposed to equity price changes arising from equity investments concluded in financial instruments at fair value through profit or loss and available-for-sale financial instruments. Price risk the Group facing is mainly the proportionate fluctuation in the Group's net profits due to the price fluctuation of the held for trading financial instruments and the proportionate fluctuation in the Group's equity due to the price fluctuation of the held for trading and available-for-sale financial instruments.

Sensitivity analysis

The analysis below is performed to show the impact on Group's and Company's net profit and equity due to change in the prices of equity securities by 10% with all other variables held constant.

The Group

	Sensitivity of net profit		
	As at December 31,		
	2012	2013	2014
Increase by 10%	203,203	513,339	1,602,030
Decrease by 10%	(203,203)	(513,339)	(1,602,030)

	Sensitivity of equity		
	As at December 31,		
	2012	2013	2014
Increase by 10%	881,528	1,134,346	2,065,080
Decrease by 10%	(881,528)	(1,134,346)	(2,065,080)

The Company

	Sensitivity of net profit		
	As at December 31,		
	2012	2013	2014
Increase by 10%	190,678	319,859	900,192
Decrease by 10%	(190,678)	(319,859)	(900,192)

	Sensitivity of equity		
	As at December 31,		
	2012	2013	2014
Increase by 10%	692,026	762,965	1,286,187
Decrease by 10%	(692,026)	(762,965)	(1,286,187)

The sensitivity analysis indicates the instantaneous change in the Group's and Company's net profit and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(c) Market risk—continued

(iii) Price risk—continued

been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2012, 2013 and 2014.

(d) Capital management

The Group's and the Company's objectives of capital management are:

(i) To safeguard the Group's and the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Group's and the Company's stability and growth;

(iii) To maintain a strong capital base to support the development of their business; and

(iv) To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

(i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");

(ii) The ratio of net capital divided by net assets shall be no less than 40% ("Ratio 2");

(iii) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");

(iv) The ratio of net assets divided by liabilities shall be no less than 20% ("Ratio 4");

(v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5"); and

(vi) The ratio of the value of fixed income securities held divided by net capital shall not exceed 500% ("Ratio 6").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

57 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT—continued

(d) Capital management—continued

As at December 31, 2012, 2013 and 2014, the Company maintained the above ratios as follows:

	As at December 31,		
	2012	2013	2014
Net Capital	20,164,207	19,046,235	19,727,809
Ratio 1	1,088.95%	788.13%	463.56%
Ratio 2	64.60%	58.55%	53.20%
Ratio 3	210.84%	62.52%	19.67%
Ratio 4	326.39%	106.78%	36.98%
Ratio 5	36.03%	49.40%	69.18%
Ratio 6	63.66%	88.09%	81.46%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulatory requirements, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively. These subsidiaries comply with the capital requirements during the years ended December 31, 2012, 2013 and 2014.

58 FAIR VALUE INFORMATION

(a) Fair value of financial instruments

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Financial assets including cash and bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, and financial liabilities including placements from other financial institutions and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.

(ii) Financial assets at fair value through profit or loss, derivatives and available-for-sale financial assets are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active open markets, the Group uses market prices or markets rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.

(iii) The fair values of held-to-maturity investments, short-term debt instruments issued and long-term bonds are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair values using pricing models or discounted cash flow.

(iv) Account receivable, other receivables and prepayments, margin accounts receivable, and accounts payable to brokerage clients are within one year. Accordingly, the carrying amounts approximate the fair values.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

58 FAIR VALUE INFORMATION—continued

(b) Fair value of other financial instruments (carried at other than fair value)

The carrying amount and fair value of held-to-maturity investments, short-term debt instruments issued and long-term bonds which are not presented at fair value are listed as below:

The Group and the Company

Carrying amount

	As at December 31,		
	2012	2013	2014
Financial assets			
—Held-to-maturity investments	205,000	5,000	5,000
Total	205,000	5,000	5,000
Financial liabilities			
—Short-term debt instruments issued	—	(8,000,000)	(24,787,070)
—Long-term bonds	—	(9,980,104)	(21,345,324)
Total	—	(17,980,104)	(46,132,394)

Fair value

	2012			
	Level I	Level II	Level III	Total
Financial assets				
—Held-to-maturity investments	—	4,930	200,000	204,930
Total	—	4,930	200,000	204,930

	2013			
	Level I	Level II	Level III	Total
Financial assets				
—Held-to-maturity investments	—	4,728	—	4,728
Total	—	4,728	—	4,728
Financial liabilities				
—Short-term debt instruments issued	—	(7,994,136)	—	(7,994,136)
—Long-term bonds	(9,085,324)	—	—	(9,085,324)
Total	(9,085,324)	(7,994,136)	—	(17,079,460)

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

58 FAIR VALUE INFORMATION—continued

(b) Fair value of other financial instruments (carried at other than fair value)—continued

	2014			
	Level I	Level II	Level III	Total
Financial assets				
—Held-to-maturity investments	—	4,985	—	4,985
Total	—	4,985	—	4,985
Financial liabilities				
—Short-term debt instruments issued	(13,966,777)	(8,491,147)	(2,287,070)	(24,744,994)
—Long-term bonds	(21,254,786)	—	—	(21,254,786)
Total	(35,221,563)	(8,491,147)	(2,287,070)	(45,999,780)

The fair values of the financial assets and financial liabilities included in the level II and III 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 amortized cost and available-for-sale financial assets at cost less impairment in the Group and the Company's statements of financial position approximate their fair values.

(c) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I valuations: Fair value measured using only Level I inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level II valuations: Fair value measured using Level II inputs i.e. observable inputs which fail to meet Level I, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level III valuations: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

58 FAIR VALUE INFORMATION—continued

(c) Fair value hierarchy—continued

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

The Group

	2012			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
—Debt securities	3,636,895	7,423,494	—	11,060,389
—Equity securities	2,404,906	35,930	—	2,440,836
—Funds	268,543	—	—	268,543
—Wealth management products	—	—	—	—
Available-for-sale financial assets				
—Debt securities	1,526,779	—	—	1,526,779
—Equity securities	1,623,751	27,268	2,623,848	4,274,867
—Funds	1,234,851	10,654	–	1,245,505
—Wealth management products	—	2,524,958	999,000	3,523,958
Derivative financial assets	—	—	—	—
Total	10,695,725	10,022,304	3,622,848	24,340,877
Liabilities				
Financial liabilities at fair value through profit or loss	—	(102,808)	—	(102,808)
Derivative financial liabilities	—	(16)	—	(16)
Total	—	(102,824)	—	(102,824)

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

58 FAIR VALUE INFORMATION—continued

(c) Fair value hierarchy—continued

The Group

	2013			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
—Debt securities	6,330,844	11,165,765	—	17,496,609
—Equity securities	3,110,773	32,066	—	3,142,839
—Funds	2,955,295	—	—	2,955,295
—Wealth management products	—	746,382	—	746,382
Available-for-sale financial assets				
—Debt securities	279,857	—	—	279,857
—Equity securities	1,932,002	9,795	2,734,297	4,676,094
—Funds	229,578	12,525	—	242,103
—Wealth management products	—	3,172,898	189,000	3,361,898
Derivative financial assets	—	—	—	—
Total	14,838,349	15,139,431	2,923,297	32,901,077
Liabilities				
Financial liabilities at fair value through profit or loss	—	—	—	—
Derivative financial liabilities	—	(3,055)	—	(3,055)
Total	—	(3,055)	—	(3,055)

The Group

	2014			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
—Debt securities	13,417,327	20,883,150	186,371	34,486,848
—Equity securities	8,161,578	198,642	—	8,360,220
—Funds	12,186,905	—	—	12,186,905
—Wealth management products	121,520	844,465	—	965,985
Available-for-sale financial assets				
—Debt securities	242,031	—	149,310	391,341
—Equity securities	579,929	27,748	4,485,676	5,093,353
—Funds	339,670	2,760	—	342,430
—Wealth management products	275,553	1,882,168	1,159,009	3,316,730
Derivative financial assets	—	20,815	—	20,815
Total	35,324,513	23,859,748	5,980,366	65,164,627
Liabilities				
Financial liabilities at fair value through profit or loss	(9,245)	—	—	(9,245)
Derivative financial liabilities	—	(730,743)	—	(730,743)
Total	(9,245)	(730,743)	—	(739,988)

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

58 FAIR VALUE INFORMATION—continued

(c) Fair value hierarchy—continued

The Company

	2012			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	3,422,895	7,252,998	—	10,675,893
— Equity securities	2,399,947	35,930	—	2,435,877
— Funds	106,497	—	—	106,497
Available-for-sale financial assets				
— Debt securities	1,526,779	—	—	1,526,779
— Equity securities	1,603,710	27,268	2,623,848	4,254,826
— Funds	1,234,851	9,010	—	1,243,861
— Wealth management products	—	447,821	999,000	1,446,821
Derivative financial assets	—	—	—	—
Total	10,294,679	7,773,027	3,622,848	21,690,554
Liabilities				
Derivative financial liabilities	—	(16)	—	(16)
Total	—	(16)	—	(16)

The Company

	2013			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	4,212,736	11,096,348	—	15,309,084
— Equity securities	3,027,075	32,066	—	3,059,141
— Funds	905,642	—	—	905,642
— Wealth management products	—	300,000	—	300,000
Available-for-sale financial assets				
— Debt securities	238,857	—	—	238,857
— Equity securities	1,914,236	9,795	2,734,297	4,658,328
— Funds	229,578	10,515	—	240,093
— Wealth management products	—	820,660	189,000	1,009,660
Derivative financial assets	—	—	—	—
Total	10,528,124	12,269,384	2,923,297	25,720,805
Liabilities				
Derivative financial liabilities	—	(3,055)	—	(3,055)
Total	—	(3,055)	—	(3,055)

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

58 FAIR VALUE INFORMATION—continued

(c) Fair value hierarchy—continued

The Company

	2014			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
— Debt securities	2,305,519	12,551,128	—	14,856,647
— Equity securities	8,130,538	197,722	—	8,328,260
— Funds	2,951,445	—	—	2,951,445
— Wealth management products	121,520	625,457	—	746,977
Available-for-sale financial assets				
— Debt securities	242,031	—	—	242,031
— Equity securities	181,694	27,748	4,485,676	4,695,118
— Funds	41,670	—	—	41,670
— Wealth management products	202,553	1,467,256	40,000	1,709,809
Derivative financial assets	—	17,329	—	17,329
Total	14,176,970	14,886,640	4,525,676	33,589,286
Liabilities				
Derivative financial liabilities	—	729,314	—	729,314
Total	—	729,314	—	729,314

For the year ended December 31, 2012, 2013 and 2014, there were no significant transfer among Level I, Level II and Level III of the fair value hierarchy.

(i) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I. Instruments included in Level I comprise primarily securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange classified as trading securities or available for sale.

(ii) Financial instruments in Level II

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level II.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

58 FAIR VALUE INFORMATION—continued

(c) Fair value hierarchy—continued

(ii) Financial instruments in Level II—continued

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level III.

(iii) Valuation methods for specific investments

As at December 31, 2012, 2013 and 2014, the Group's valuation methods for specific investments are as follows:

(1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. If there is no quoted market price as at the reporting date, valuation techniques are used to determine the fair value.

(2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-end funds and wealth management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.

(3) For debt securities listed through exchanges, fair values are determined based on the closing price within bid-ask spread of the debt securities at the date of statements of financial position.

(4) For debt securities traded through the inter-bank bond market and the over-the-counter ("OTC") market, fair values are determined using valuation techniques.

(iv) Financial instruments in Level III

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

The Group

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
As at January 1, 2012	—	1,998,541	1,998,541
Gains or losses for the year	—	—	—
Changes in fair value recognized in other comprehensive income	—	325,307	325,307
Purchases	—	1,299,000	1,299,000
Sales and settlements	—	—	—
As at December 31, 2012	—	3,622,848	3,622,848
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	—	—	—

II Notes to the Financial Information—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

58 FAIR VALUE INFORMATION—continued

(c) Fair value hierarchy—continued

(iv) Financial instruments in Level III—continued

The Group

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
As at January 1, 2013	—	3,622,848	3,622,848
Gains or losses for the year	—	36,348	36,348
Changes in fair value recognized in other comprehensive income	—	(89,551)	(89,551)
Purchases	—	2,384,000	2,384,000
Sales and settlements	—	(3,030,348)	(3,030,348)
As at December 31, 2013	—	2,923,297	2,923,297
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	—	4,348	4,348

The Group

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
As at January 1, 2014	—	2,923,297	2,923,297
Gains or losses for the year	49,816	12,648	62,464
Changes in fair value recognized in other comprehensive income	—	1,765,890	1,765,890
Purchases	138,052	1,253,808	1,391,860
Sales and settlements	(1,497)	(161,648)	(163,145)
As at December 31, 2014	186,371	5,793,995	5,980,366
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	49,816	5,243	55,059

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

58 FAIR VALUE INFORMATION—continued

(c) Fair value hierarchy—continued

(iv) Financial instruments in Level III—continued

The Company

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
As at January 1, 2012	—	1,998,541	1,998,541
Gains or losses for the year	—	—	—
Changes in fair value recognized in other comprehensive income	—	325,307	325,307
Purchases	—	1,299,000	1,299,000
Sales and settlements	—	—	—
As at December 31, 2012	—	3,622,848	3,622,848
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	—	—	—

The Company

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
As at January 1, 2013	—	3,622,848	3,622,848
Gains or losses for the year	—	36,348	36,348
Changes in fair value recognized in other comprehensive income	—	(89,551)	(89,551)
Purchases	—	2,384,000	2,384,000
Sales and settlements	—	(3,030,348)	(3,030,348)
As at December 31, 2013	—	2,923,297	2,923,297
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	—	4,348	4,348

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

58 FAIR VALUE INFORMATION—continued

(c) Fair value hierarchy—continued

(iv) Financial instruments in Level III—continued

The Company

	Financial assets at fair value through profit or loss	Available -for-sale financial assets	Total
As at January 1, 2014	—	2,923,297	2,923,297
Gains or losses for the year	—	7,405	7,405
Changes in fair value recognized in other comprehensive income	—	1,751,379	1,751,379
Purchases	—	—	—
Sales and settlements	—	(156,405)	(156,405)
As at December 31, 2014	—	4,525,676	4,525,676
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	—	3,610	3,610

For financial instruments in Level III, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

Financial assets	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Wealth management products and private placement bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Private convertible bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
		Option pricing model	Stock price volatility	The higher the stock price volatility, the higher the fair value
Unlisted equity investment	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

59 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

IFRS 9, Financial instruments

(i) Summary of the requirements

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carried forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) Possible impact on consolidated financial statements

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15, Revenue from contracts with customers

(i) Summary of the requirements

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2017, with early adoption permitted.

(ii) Possible impact on consolidated financial statements

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements.

IFRS 14 Regulatory Deferral Accounts

Accounting for Acquisitions of Interests in Joint operations (Amendments to IFRS 11).
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38).

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

59 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS—continued

IFRS 14 Regulatory Deferral Accounts—continued

Defined Benefit Plans: Employee contributions (Amendments to IAS 19)
Annual Improvements to IFRSs 2010-2012 Cycle.
Annual Improvements to IFRSs 2011-2013 Cycle.

60 EVENTS AFTER THE REPORTING DATE

(1) Issuance of subordinated bonds

Pursuant to the resolution of the thirteenth meeting of the third session of the Board and the fourth extraordinary general meeting of the shareholders, the Company completed the issuance of the first tranche of subordinated bonds with the face value of RMB6 billion on January 22, 2015, bearing interest at 5.90% per annum, repayable within 2 years.

Pursuant to the resolution of the thirteenth meeting of the third session of the Board and the fourth extraordinary general meeting of the shareholders, the Company completed the issuance of the second tranche of subordinated bonds with the face value of RMB12 billion on April 20, 2015. RMB7 billion of the total RMB12 billion subordinated bonds bears interest at 5.60% per annum with a maturity of 2 years, while the rest RMB5 billion bears interest at 5.80% per annum with a maturity of 5 years.

(2) Issuance of short-term commercial papers

The Company issued the 2015 first tranche of short-term commercial paper on January 15, 2015. The short-term commercial paper with the face value of RMB3 billion was raised on January 16, 2015, bearing interest at 4.77% per annum and repayable on April 16, 2015.

The Company issued the 2015 second tranche of short-term commercial paper on February 9, 2015. The short-term commercial paper with the face value of RMB3 billion was raised on February 10, 2015, bearing interest at 4.90% per annum and repayable on May 8, 2015.

The Company issued the 2015 third tranche of short-term commercial paper on March 10, 2015. The short-term commercial paper with the face value of RMB2 billion was raised on March 11, 2015, bearing interest at 4.99% per annum and repayable on June 9, 2015.

The Company issued the 2015 fourth tranche of short-term commercial paper on April 9, 2015. The short-term commercial paper with the face value of RMB3 billion was raised on April 10, 2015, bearing interest at 4.8% per annum and repayable on July 9, 2015.

(3) Increase of registered capital of a subsidiary

On February 6, 2015, the Company decided to increase the registered capital of a subsidiary, Huatai Zijin Investment Co., Ltd. from RMB600 million to RMB1,100 million. Up to the date of this report, the administrative procedure of changing the registered capital has been completed and RMB150 million of the increased registered capital has been contributed.

II Notes to the Financial Information—continued
(Expressed in thousands of Renminbi, unless otherwise stated)

60 EVENTS AFTER THE REPORTING DATE—continued

(4) Approval on stock options market making business qualification

The Company received the approval from CSRC (Zheng Jian Xu Ke [2015] No. 162) related to the Qualification of the Stock Options Market Making Business in 2015. According to the approval, the Company is entitled to commence the stock options market making business.

(5) Approval on establishment of a futures subsidiary in the United States

On February 13, 2015, The Company received the approval from CSRC (Zheng Jian Xu Ke [2015] No. 262) related to the establishment of an overseas futures subsidiary, Huatai Futures Co., Ltd. (USA) located in the United States of America. Pursuant to the approval, the Company's subsidiary Huatai Futures Co., Ltd. is allowed to establish a wholly-owned subsidiary Huatai Futures Co., Ltd. (USA) in Delaware with the registered capital of USD3 million. The set-up procedures should be completed within 12 months from the date of approval.

(6) Profit distribution plan after accounting periods

On March 6, 2015, based on the total ordinary shares of 5,600,000,000 of the Company, the Board proposed the cash dividends of RMB5.00 (tax inclusive) per 10 ordinary shares distributed to all the shareholders, with total cash dividend amounting to RMB2,800 million (2013: RMB840 million).

The proposal was approved by the general meeting of the shareholders on March 30, 2015. The cash dividends are not recognized as a liability as at December 31, 2014.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

The information set out below is the unaudited interim financial information of the Group for the three months ended March 31, 2015 and does not form part of the Accountants' Report from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for information purpose only.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

Date: May 19, 2015

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Directors
Huatai Securities Co., Ltd.

Dear Sirs,

INTRODUCTION

We have reviewed the accompanying interim financial information set out on page II-3 to II-46, which comprises the condensed consolidated statements of financial position of Huatai Securities Co., Ltd. (華泰證券股份有限公司) (the "Company") and its subsidiaries (collectively the "Group") as at March 31, 2015 and the related condensed consolidated income statements, condensed consolidated statements of profit or loss and other comprehensive income, the condensed consolidated statements of changes in equity and condensed consolidated cash flow statements for the three-month period then ended, and explanatory notes (the "Condensed Consolidated Financial Information"). The directors are responsible for the preparation and presentation of interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), issued by the International Accounting Standards Board.

Our responsibility is to form a conclusion, based on our review, on the interim financial information and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at March 31, 2015 is not prepared, in all material respects, in accordance with IAS 34.

KPMG
Certified Public Accountants
Hong Kong

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE THREE MONTHS ENDED March 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Three months ended March 31, 2015	2014
Revenue			
Fee and commission income	5	3,544,267	1,419,096
Interest income	6	2,641,210	878,459
Net investment gains	7	1,163,266	480,967
Total revenue		7,348,743	2,778,522
Other income and gains	8	22,770	36,563
Total revenue and other income		7,371,513	2,815,085
Fee and commission expenses	9	(967,059)	(259,214)
Interest expenses	10	(1,579,915)	(419,864)
Staff costs	11	(1,518,039)	(710,092)
Depreciation and amortization expenses	12	(69,863)	(77,206)
Business tax and surcharges		(330,416)	(124,161)
Other operating expenses	13	(297,566)	(216,988)
(Provision for)/reversal of impairment losses	14	(1,047)	293
Total expenses		(4,763,905)	(1,807,232)
Operating profit		2,607,608	1,007,853
Share of profit of associates		95,149	47,144
Profit before income tax		2,702,757	1,054,997
Income tax expense	15	(667,949)	(244,958)
Profit for the period		2,034,808	810,039
Attributable to:			
Shareholders of the Company		2,015,355	805,688
Non-controlling interests		19,453	4,351
		2,034,808	810,039
Basic and diluted earnings per share (in Renminbi per share)	16	0.36	0.14

The notes on pages II-10 to II-46 form part of the Condensed Consolidated Financial Information.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Three months ended March 31, 2015	2014
Profit for the period		2,034,808	810,039
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
—Net changes in fair value		455,281	(68,471)
—Reclassified to profit or loss		72,363	(79,168)
Share of other comprehensive income of associates		18,971	(3,093)
Exchange differences on translation of financial statements in foreign currencies		(4,984)	4,918
Income tax impact	21(c)	(45,567)	36,910
Total other comprehensive income for the period, net of tax		496,064	(108,904)
Total comprehensive income for the period		2,530,872	701,135
Attributable to:			
Shareholders of the Company		2,511,110	696,772
Non-controlling interests		19,762	4,363
Total		2,530,872	701,135

The notes on pages II-10 to II-46 form part of the Condensed Consolidated Financial Information.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT MARCH 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at March 31, 2015	As at December 31, 2014
Non-current assets			
Property and equipment	17	3,713,829	3,303,686
Investment properties		668,609	673,981
Goodwill		51,342	51,342
Other intangible assets	18	389,344	401,211
Interest in associates	19	2,181,608	1,874,488
Held-to-maturity investments		5,000	5,000
Available-for-sale financial assets	20	6,387,645	4,969,114
Financial assets held under resale agreements		2,732,250	2,400,120
Refundable deposits		5,332,059	4,482,845
Deferred tax assets	21	178,878	178,878
Other non-current assets	22	102,037	108,854
Total non-current assets		21,742,601	18,449,519
Current assets			
Accounts receivable	23	417,314	362,653
Other receivables and prepayments	24	2,920,361	2,057,220
Margin accounts receivable	25	95,595,858	64,636,739
Available-for-sale financial assets	20	3,394,685	4,307,034
Financial assets held under resale agreements		19,690,859	18,309,906
Financial assets at fair value through profit or loss	26	55,921,215	55,999,958
Derivative financial assets	27	36,244	20,815
Clearing settlement funds	28	2,605,170	544,255
Cash held on behalf of brokerage clients	29	97,573,368	71,536,310
Cash and bank balances	30	47,786,582	36,001,627
Total current assets		325,941,656	253,776,517
Total assets		347,684,257	272,226,036

The notes on pages II-10 to II-46 form part of the Condensed Consolidated Financial Information.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT MARCH 31, 2015—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at March 31, 2015	As at December 31, 2014
Current liabilities			
Short-term bank loans	32	115,645	—
Short-term debt instruments issued	33	28,065,197	24,787,070
Placements from other financial institutions	34	1,900,000	1,500,000
Accounts payable to brokerage clients	35	99,145,158	70,228,405
Employee benefits payable		2,145,805	1,740,597
Other payables and accruals	36	74,541,631	56,802,319
Current tax liabilities		792,551	358,645
Financial assets sold under repurchase agreements		49,869,304	44,668,228
Derivative financial liabilities	27	1,512,482	730,743
Financial liabilities at fair value through profit or loss	37	10,379,827	9,245
Total current liabilities		268,467,600	200,825,252
Net current assets		57,474,056	52,951,265
Total assets less current liabilities		79,216,657	71,400,784
Non-current liabilities			
Long-term bonds	38	27,432,363	21,345,324
Long-term bank loans	39	316,004	138,658
Non-current employee benefits payable		705,434	705,434
Deferred tax liabilities	21	575,261	601,174
Financial assets sold under repurchase agreements		6,000,000	5,000,000
Other non-current liabilities	40	2,512,315	1,665,786
Total non-current liabilities		37,541,377	29,456,376
Net assets		41,675,280	41,944,408
Equity			
Share capital	41	5,600,000	5,600,000
Reserves		25,875,124	25,379,369
Retained profits	42	9,534,542	10,319,187
Total equity attributable to shareholders of the Company		41,009,666	41,298,556
Non-controlling interests		665,614	645,852
Total equity		41,675,280	41,944,408

The notes on pages II-10 to II-46 form part of the Condensed Consolidated Financial Information.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company									
		Reserves								
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Note 41)						(Note 42)			
As at January 1, 2015	5,600,000	17,221,261	1,692,854	4,611,610	1,889,206	(35,562)	10,319,187	41,298,556	645,852	41,944,408
Change in equity for the period										
Profit for the period	—	—	—	—	—	—	2,015,355	2,015,355	19,453	2,034,808
Other comprehensive income	—	—	—	—	499,882	(4,127)	—	495,755	309	496,064
Total comprehensive income	—	—	—	—	499,882	(4,127)	2,015,355	2,511,110	19,762	2,530,872
Dividends declared for the period	—	—	—	—	—	—	(2,800,000)	(2,800,000)	—	(2,800,000)
As at March 31, 2015	5,600,000	17,221,261	1,692,854	4,611,610	2,389,088	(39,689)	9,534,542	41,009,666	665,614	41,675,280
As at January 1, 2014	5,600,000	17,218,020	1,302,767	3,741,574	414,718	(35,809)	7,933,034	36,174,304	626,673	36,800,977
Change in equity for the period										
Profit for the period	—	—	—	—	—	—	805,688	805,688	4,351	810,039
Other comprehensive income	—	—	—	—	(113,834)	4,918	—	(108,916)	12	(108,904)
Total comprehensive income	—	—	—	—	(113,834)	4,918	805,688	696,772	4,363	701,135
Capital transaction with non-controlling shareholders of a subsidiary	—	2,632	—	—	—	—	—	2,632	(18,667)	(16,035)
Dividends declared for the period	—	—	—	—	—	—	—	—	(9,974)	(9,974)
As at March 31, 2014	5,600,000	17,220,652	1,302,767	3,741,574	300,884	(30,891)	8,738,722	36,873,708	602,395	37,476,103
As at January 1, 2014	5,600,000	17,218,020	1,302,767	3,741,574	414,718	(35,809)	7,933,034	36,174,304	626,673	36,800,977
Change in equity for the year										
Profit for the year	—	—	—	—	—	—	4,486,276	4,486,276	53,511	4,539,787
Other comprehensive income	—	—	—	—	1,474,488	247	—	1,474,735	204	1,474,939
Total comprehensive income	—	—	—	—	1,474,488	247	4,486,276	5,961,011	53,715	6,014,726
Capital injection by non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	25	25
Capital transaction with non-controlling shareholders of a subsidiary	—	1,352	—	—	—	—	—	1,352	(24,587)	(23,235)
Appropriation to surplus reserve	—	—	390,087	—	—	—	(390,087)	—	—	—
Appropriation to general reserve	—	—	—	870,036	—	—	(870,036)	—	—	—
Dividends declared for the year	—	—	—	—	—	—	(840,000)	(840,000)	(9,974)	(849,974)
Others	—	1,889	—	—	—	—	—	1,889	—	1,889
As at December 31, 2014	5,600,000	17,221,261	1,692,854	4,611,610	1,889,206	(35,562)	10,319,187	41,298,556	645,852	41,944,408

The notes on pages II-10 to II-46 form part of the Condensed Consolidated Financial Information.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2015

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Three months ended March 31, 2015	Three months ended March 31, 2014
Cash flows from operating activities:			
Profit before income tax		2,702,757	1,054,997
Adjustments for:			
Interest expenses		1,579,915	419,864
Share of profit of associates		(95,149)	(47,144)
Depreciation and amortization expenses		69,863	77,206
Provision for/(reversal of) impairment losses		1,047	(293)
Losses on disposal of property and equipment		1,357	179
Foreign exchange losses/(gains)		8,609	(1,025)
Net realized (gains)/losses from available-for-sale financial assets		(101,833)	73,619
Dividend income and interest income from available-for-sale financial assets and held-to-maturity investments		(25,275)	(10,881)
Unrealized fair value changes in financial instruments through profit or loss		(1,141,283)	(111,724)
Unrealized fair value changes in derivatives		766,310	(3,205)
Operating cash flows before movements in working capital		3,766,318	1,451,593
Increase in refundable deposits		(849,214)	(293,068)
Increase in margin accounts receivable		(30,959,119)	(1,224,381)
Increase in accounts receivable, other receivables and prepayments		(918,849)	(347,618)
Increase in financial assets held under resale agreements		(2,107,663)	(59,203)
Increase/(decrease) in financial instruments at fair value through profit or loss		11,590,608	(371,065)
Increase in restricted bank deposits		(1,921,134)	(4,109,101)
Increase in cash held on behalf of brokerage clients		(26,037,058)	(1,748,897)
Increase/(decrease) in other payables and accruals		14,038,106	(1,814,113)
Increase in accounts payable to brokerage clients		28,916,753	1,842,669

The notes on pages II-10 to II-46 form part of the Condensed Consolidated Financial Information.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2015—continued

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Three months ended March 31, 2015	2014
Increase in employee benefits payable and other non-current liabilities		223,956	152,958
Increase/(decrease) in financial assets sold under repurchase agreements		6,201,076	(352,658)
Increase in placements from other financial institutions		400,000	945,000
Increase in short-term bank loans		115,645	63,444
Cash generated from/(used in) operations		2,459,425	(5,864,440)
Income taxes paid		(305,523)	(116,666)
Interest paid		(720,694)	(117,441)
Net cash generated from/(used in) operating activities		1,433,208	(6,098,547)
Cash flows from investing activities:			
Proceeds on disposal of property and equipment		621	920
Dividends and interest received from available-for-sale financial assets and other investments		25,275	10,881
Proceeds from other limited partners' interest in private equity		340,000	—
Proceeds on disposal of available-for-sale financial assets		810,939	2,688,138
Purchases of property and equipment, other intangible assets and other non-current assets		(258,307)	(146,369)
Purchases of associates and other investments		(193,000)	(16,036)
Net cash generated from investing activities		725,528	2,537,534
Cash flows from financing activities:			
Proceeds from issuance of short-term debt instruments		13,676,396	12,300,000
Proceeds from issuance of long-term bonds		6,084,281	—
Proceeds from long-term bank loans		177,346	—
Debt paid		(10,398,269)	(8,000,000)
Short-term debt instruments interest paid		(108,728)	(111,512)
Long-term bonds interest paid		(41,205)	—
Dividends paid		—	(9,973)
Payment for other financing activities		(4,943)	(4,114)
Net cash generated from financing activities		9,384,878	4,174,401
Net increase in cash and cash equivalents		11,543,614	613,388
Cash and cash equivalents at the beginning of the period		31,883,884	14,273,117
Effect of foreign exchange rate changes		(13,458)	5,943
Cash and cash equivalents at the end of the period	31	43,414,040	14,892,448

The notes on pages II-10 to II-46 form part of the Condensed Consolidated Financial Information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of Renminbi, unless otherwise stated)

1 GENERAL INFORMATION

Huatai Securities Co., Ltd. (華泰證券股份有限公司) (the "Company"), formerly known as Jiangsu Securities Co., was approved by the People's Bank of China ("PBOC"), and registered with the Administration for Industry and Commerce of Jiangsu Province on April 9, 1991, with a registered capital of RMB10 million. The Company was renamed as Huatai Securities Limited Liability Company (華泰證券有限責任公司) on December 21, 1999 and then renamed as Huatai Securities Co., Ltd. (華泰證券股份有限公司) on December 7, 2007 as a result of the conversion into a joint stock limited liability company.

As approved by the China Securities Regulatory Commission ("CSRC") pursuant to the Approval for the Initial Public Offering by Huatai Securities Co., Ltd. (Zheng Jian Fa Xing Zi [2010] No.138), the Company publicly issued RMB784,561,275 ordinary shares (A shares) on February 9, 2010, and was listed on the Shanghai Stock Exchange on February 26, 2010.

As at March 31, 2015, the Company's registered capital was RMB5.6 billion and the Company has a total of 5.6 billion issued shares of RMB1 each.

The registered address of the Company is No. 90 East Zhongshan Road, Nanjing City, Jiangsu Province. The Company and its subsidiaries (the "Group") principally engaged in securities and futures brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment advisory, asset management, margin financing and securities lending, agency sale of financial products, and other business activities approved by CSRC.

2 BASIS OF ACCOUNTING

The condensed consolidated interim financial information have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The condensed consolidated interim financial information do not include all the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2014.

3 USE OF JUDGMENTS AND ESTIMATES

The preparation of the condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of Renminbi, unless otherwise stated)

3 USE OF JUDGMENTS AND ESTIMATES—continued

The significant judgments made by management in applying the Group's accounting policies and key sources of uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2014.

(a) Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level III fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustment. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level II: inputs other than quoted prices included in Level I that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level III: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumption made in measuring fair values is included in Note 48—fair value information.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements prepared in accordance with IFRSs (including International Accounting Standards ("IASs")) for the year ended December 31, 2014.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

5 FEE AND COMMISSION INCOME

	Three months ended March 31,	
	2015	2014
Income from securities brokerage and advisory business	3,234,345	1,110,333
Income from futures brokerage business	59,543	44,821
Income from underwriting and sponsorship business	150,311	177,141
Income from financial advisory business	61,406	35,168
Income from asset management business	38,662	51,633
Total	3,544,267	1,419,096

6 INTEREST INCOME

	Three months ended March 31,	
	2015	2014
Interest income from financial institutions	648,904	308,932
Interest income from margin financing and securities lending	1,606,943	442,269
Interest income from securities-backed lending and stock repurchases	232,143	69,327
Interest income from other financial assets held under resale agreements	16,046	32,826
Others	137,174	25,105
Total	2,641,210	878,459

7 NET INVESTMENT GAINS

	Three months ended March 31,	
	2015	2014
Net realized gains/(losses) from disposal of available-for-sale financial assets	101,833	(73,619)
Dividend income and interest income from available-for-sale financial assets	25,219	10,825
Net realized gains/(losses) from disposal of financial instruments at fair value through profit or loss	1,623,237	(134,753)
Dividend income and interest income from financial instruments at fair value through profit or loss	288,724	248,543
Net realized (losses)/gains from disposal of derivative financial instruments	(947,219)	350,586
Interest income from held-to-maturity investments	56	56
Unrealized fair value changes of financial instruments at fair value through profit or loss	1,141,283	111,724
Unrealized fair value changes of derivative financial instruments	(1,069,867)	(32,395)
Total	1,163,266	480,967

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of Renminbi, unless otherwise stated)

8 OTHER INCOME AND GAINS

	Three months ended March 31,	
	2015	2014
Rental income	10,867	10,361
Government grants	225	20
Gains on disposal of property and equipment	85	63
Others	11,593	26,119
Total	22,770	36,563

The government grants were received unconditionally by the Group from the local government where it resides.

9 FEE AND COMMISSION EXPENSES

	Three months ended March 31,	
	2015	2014
Expenses for securities brokerage and advisory business	946,397	235,631
Expenses for futures brokerage business	5,454	9,403
Expenses for underwriting and sponsorship business	13,928	13,441
Expenses for financial advisory business	900	—
Expenses for asset management business	380	739
Total	967,059	259,214

10 INTEREST EXPENSES

	Three months ended March 31,	
	2015	2014
Interest expenses on financial assets sold under repurchase agreements	735,798	116,373
Interest expenses of accounts payable to brokerage clients	67,990	27,098
Interest expenses on placements	52,091	17,451
Interest expenses on short-term debt instruments issued	353,581	135,138
Interest expenses on long-term bonds	347,706	123,300
Others	22,749	504
Total	1,579,915	419,864

11 STAFF COSTS

	Three months ended March 31,	
	2015	2014
Salaries, bonuses and allowances	1,433,898	630,735
Contribution to pension schemes	27,441	27,263
Other social welfare	56,700	52,094
Total	1,518,039	710,092

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of Renminbi, unless otherwise stated)

11 STAFF COSTS—continued

The domestic employees of the Group in the PRC participate in social plans, including pension, medical, housing, and other welfare benefits, organized and administered by the governmental authorities. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on regular basis and paid to the labor and social welfare authorities. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred.

12 DEPRECIATION AND AMORTIZATION EXPENSES

	Three months ended March 31,	
	2015	2014
Depreciation of property and equipment	32,979	39,382
Depreciation of investment properties	5,373	4,578
Amortization of other intangible assets	18,232	14,024
Amortization of leasehold improvements and long-term deferred expenses	13,279	19,222
Total	69,863	77,206

13 OTHER OPERATING EXPENSES

	Three months ended March 31,	
	2015	2014
Rental expenses	58,466	55,542
Postal and communication expenses	16,308	20,540
Business entertainment expenses	23,973	21,680
Consulting fees	16,757	10,407
Business travel expenses	15,298	11,803
Utilities	7,385	8,618
IT expenses	15,145	10,195
Securities investor protection funds	27,482	12,049
Auditors' remuneration	802	72
Others	115,950	66,082
Total	297,566	216,988

14 (PROVISION FOR)/REVERSAL OF IMPAIRMENT LOSSES

	Three months ended March 31,	
	2015	2014
Provision for impairment losses against accounts receivable	(399)	—
(Provision for)/reversal of impairment losses against other receivables	(648)	293
Total	(1,047)	293

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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15 INCOME TAX EXPENSE

(a) Taxation in the condensed consolidated income statements represents:

	Three months ended March 31, 2015	2014
Current tax		
—PRC income tax	739,429	173,683
—Hong Kong profits tax	—	—
	739,429	173,683
Deferred tax		
Origination and reversal of temporary differences	(71,480)	71,275
Total	667,949	244,958

(i) According to the PRC Corporate Income Tax ("CIT") Law that took effect on January 1, 2008, the Company and the Group's PRC subsidiaries are subject to CIT at the statutory tax rate of 25%.

(ii) Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits for the period.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rate:

	Three months ended March 31, 2015	2014
Profit before income tax	2,702,757	1,054,997
National tax calculated using the PRC statutory tax rate	675,689	263,749
Tax effect of non-deductible expenses	5,557	3,760
Tax effect of non-taxable income	(28,618)	(22,241)
Tax effect of unused tax losses not recognized	9,906	692
Effect of different tax rates of the subsidiary	5,103	(316)
Others	312	(686)
Actual income tax expense	667,949	244,958

16 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of RMB2,015.36 million (three months ended March 31, 2014: RMB805.69 million) and the weighted average number of 5,600.00 million ordinary shares (three months ended March 31, 2014: 5,600.00 million).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of RMB2,015.36 million (three months ended March 31, 2014: RMB805.69 million) and the weighted average number of 5,600.00 million ordinary shares (three months ended March 31, 2014: 5,600.00 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

17 PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at January 1, 2015	1,310,881	148,607	580,586	87,297	2,045,325	4,172,696
Additions	—	1,231	16,061	1,066	427,540	445,898
Transfer during the period (Note 22)	1,443,371	—	—	—	(1,444,169)	(798)
Disposals	—	(288)	(53,272)	(1,905)	—	(55,465)
As at March 31, 2015	2,754,252	149,550	543,375	86,458	1,028,696	4,562,331
Accumulated depreciation						
As at January 1, 2015	(266,738)	(95,864)	(443,607)	(62,801)	—	(869,010)
Charge for the period	(9,124)	(3,886)	(17,047)	(2,922)	—	(32,979)
Disposals	—	274	51,392	1,821	—	53,487
As at March 31, 2015	(275,862)	(99,476)	(409,262)	(63,902)	—	(848,502)
Carrying amount						
As at March 31, 2015	2,478,390	50,074	134,113	22,556	1,028,696	3,713,829
Cost						
As at January 1, 2014	1,391,767	151,140	695,060	83,646	871,595	3,193,208
Additions	1,781	1,225	42,582	13,400	1,186,332	1,245,320
Transfer during the year (Note 22)	—	—	—	—	(12,602)	(12,602)
Transfer to investment properties	(79,011)	—	—	—	—	(79,011)
Disposals	(3,656)	(3,758)	(157,056)	(9,749)	—	(174,219)
As at December 31, 2014	1,310,881	148,607	580,586	87,297	2,045,325	4,172,696
Accumulated depreciation						
As at January 1, 2014	(237,324)	(83,586)	(508,454)	(65,330)	—	(894,694)
Charge for the year	(38,829)	(15,440)	(88,928)	(6,352)	—	(149,549)
Transfer to investment properties	8,110	—	—	—	—	8,110
Disposals	1,305	3,162	153,775	8,881	—	167,123
As at December 31, 2014	(266,738)	(95,864)	(443,607)	(62,801)	—	(869,010)
Carrying amount						
As at December 31, 2014	1,044,143	52,743	136,979	24,496	2,045,325	3,303,686

As at March 31, 2015 and December 31, 2014, included in buildings, there is a carrying amount of RMB44,010 thousand and RMB88,890 thousand respectively, for which the Group has yet to obtain the relevant land or building certificates.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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18 OTHER INTANGIBLE ASSETS

	Land-use right	Software and others	Total
Cost			
As at January 1, 2015	359,161	383,683	742,844
Additions	—	6,365	6,365
Disposals	—	(24)	(24)
As at March 31, 2015	359,161	390,024	749,185
Accumulated amortization			
As at January 1, 2015	(49,340)	(292,293)	(341,633)
Charge for the period	(1,799)	(16,433)	(18,232)
Disposals	—	24	24
As at March 31, 2015	(51,139)	(308,702)	(359,841)
Carrying amount			
As at March 31, 2015	308,022	81,322	389,344
Cost			
As at January 1, 2014	359,161	305,815	664,976
Additions	—	79,835	79,835
Disposals	—	(1,967)	(1,967)
As at December 31, 2014	359,161	383,683	742,844
Accumulated amortization			
As at January 1, 2014	(42,726)	(240,308)	(283,034)
Charge for the year	(6,614)	(53,952)	(60,566)
Disposals	—	1,967	1,967
As at December 31, 2014	(49,340)	(292,293)	(341,633)
Carrying amount			
As at December 31, 2014	309,821	91,390	401,211

19 INTEREST IN ASSOCIATES

	As at March 31, 2015	As at December 31, 2014
Share of net assets	2,181,608	1,874,488

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(Expressed in thousands of Renminbi, unless otherwise stated)

19 INTEREST IN ASSOCIATES—continued

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

			Proportion of ownership interest			
Name of associate	**Registered place**	**Registered capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
China Southern Asset Management Co., Ltd.	Shenzhen	RMB300,000,000	45%	45%	—	Fund management
Huatai-PineBridge Fund Management Co., Ltd.	Shanghai	RMB200,000,000	49%	49%	—	Fund management
Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)	Nanjing	RMB2,000,000,000	48.25%	—	48.25%	Equity investment

All of the above associates are accounted for using the equity method in the condensed consolidated financial statements.

Summarized financial information of the Group's material associates, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

China Southern Asset Management Co., Ltd.

	As at March 31, 2015	**As at December 31, 2014**
Gross amounts of the associate:		
Assets	4,775,205	4,503,567
Liabilities	(1,310,192)	(1,270,497)
Net assets	3,465,013	3,233,070
Revenue	630,564	2,247,987
Profit for the period	197,438	649,707
Other comprehensive income	34,505	7,177
Total comprehensive income	231,943	656,884
Dividend received from the associate	—	81,000
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	3,227,940	3,020,720
The Group's effective interest	45%	45%
Carrying amount in the condensed consolidated financial statements	1,452,573	1,359,324

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19 INTEREST IN ASSOCIATES—continued

Huatai-PineBridge Fund Management Co., Ltd.

	As at March 31, 2015	As at December 31, 2014
Gross amounts of the associate:		
Assets	650,446	684,627
Liabilities	(101,344)	(187,915)
Net assets	549,102	496,712
Revenue	130,580	319,985
Profit for the period	45,619	55,819
Other comprehensive income	6,771	8,018
Total comprehensive income	52,390	63,837
Dividend received from the associate	—	19,600
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	549,102	496,712
The Group's effective interest	49%	49%
Carrying amount in the condensed consolidated financial statements	269,060	243,389

Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership)

	As at March 31, 2015	As at December 31, 2014
Gross amounts of the associate:		
Assets	924,254	522,202
Liabilities	(33,000)	(21,000)
Net assets	891,254	501,202
Revenue	445	32,052
Loss for the period	(9,949)	(8,380)
Other comprehensive income	—	—
Total comprehensive income	(9,949)	(8,380)
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	891,254	501,202
The Group's effective interest	48.25%	48.25%
The Group's share of net assets of the associate	430,030	241,830
Other adjustment	14,694	14,694
Carrying amount in the condensed consolidated financial statements	444,724	256,524

Aggregate information of associates that are not individually material:

	As at March 31, 2015	As at December 31, 2014
Aggregate carrying amount of individually immaterial associates in the condensed consolidated financial statements	15,251	15,251
Aggregate amounts of the Group's share of those associates' gains	551	551
Other comprehensive income	—	—
Total comprehensive income	551	551

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current

	As at March 31, 2015	As at December 31, 2014
At fair value:		
—Equity securities	5,817,455	4,485,675
—Debt securities	242,236	242,031
—Funds	3,633	2,760
—Wealth management products	123,427	106,354
At cost:		
—Equity securities	206,610	138,010
Less: Impairment losses	(5,716)	(5,716)
Total	6,387,645	4,969,114
Analyzed as:		
Listed outside Hong Kong	1,134,806	244,791
Unlisted	5,252,839	4,724,323
Total	6,387,645	4,969,114

Current

	As at March 31, 2015	As at December 31, 2014
At fair value:		
—Equity securities	1,283,910	609,368
—Debt securities	154,960	149,310
—Funds	501,360	339,671
—Wealth management products	1,456,146	3,210,376
Less: Impairment losses	(1,691)	(1,691)
Total	3,394,685	4,307,034
Analyzed as:		
Listed outside Hong Kong	1,040,254	942,273
Unlisted	2,354,431	3,364,761
Total	3,394,685	4,307,034

As at March 31, 2015 and December 31, 2014, the fund investments with lock-up periods held by the Group are RMB3,633 thousand and RMB2,760 thousand respectively. The fair values of these funds have taken into account the relevant features including the restrictions.

As at March 31, 2015 and December 31, 2014, the listed equity securities held by the Group included approximately RMB888,937 thousand and nil of restricted shares, respectively. The restricted shares are 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.

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20 AVAILABLE-FOR-SALE FINANCIAL ASSETS—continued

The equity interest in unlisted securities held by the Group are issued by private companies. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that for those of which the fair value cannot be measured reliably, the value of the securities is measured at cost less impairment at the reporting date, and for those of which equity had been traded fairly in recent years, the value of the securities is measured by comparing with comparable companies that are listed and in the same sector.

In the opinion of the directors of the Company, non-current available-for-sale investments are expected to be realized or restricted for sale beyond one year from the end of the respective reporting periods. The fair value of the Group's investments in unlisted funds, which mainly invest in publicly traded equities listed in the PRC, are valued based on the net asset values of the funds calculated by the respective fund managers by reference to their underlying assets and liabilities' fair values.

The fair value of the Group's investments in equity securities without restriction, exchange-listed funds and debt securities are determined with reference to their quoted prices as at reporting date.

As at March 31, 2015 and December 31, 2014, 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 RMB11,469 thousand and RMB7,865 thousand to external clients, respectively, which did not result in derecognition of the financial assets. The fair value of collaterals for the securities lending business is analyzed in Note 25 (b) together with the fair value of collaterals of margin financing business.

21 DEFERRED TAXATION

(a) The components of deferred tax assets/(liabilities) recognized in the condensed consolidated statements of financial position and the movements are as follows:

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of derivative financial instruments	Changes in fair value of available-for-sale financial assets	Others	Total
As at January 1, 2015	104,440	200,680	(384,347)	222,021	(605,326)	40,236	(422,296)
Recognized in profit or loss	262	—	(261,613)	268,132	—	64,699	71,480
Recognized in reserves	—	—	—	—	(45,567)	—	(45,567)
As at March 31, 2015	104,702	200,680	(645,960)	490,153	(650,893)	104,935	(396,383)
As at January 1, 2014	111,384	51,027	110,456	(2,586)	(141,037)	75,817	205,061
Recognized in profit or loss	(6,944)	149,653	(494,803)	224,607	—	(35,581)	(163,068)
Recognized in reserves	—	—	—	—	(464,289)	—	(464,289)
As at December 31, 2014	104,440	200,680	(384,347)	222,021	(605,326)	40,236	(422,296)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

21 DEFERRED TAXATION—continued

(b) Reconciliation to the statements of financial position

	As at March 31, 2015	As at December 31, 2014
Net deferred tax assets recognized in the statement of financial position	178,878	178,878
Net deferred tax liabilities recognized in the statement of financial position	(575,261)	(601,174)
Total	(396,383)	(422,296)

(c) Recognized in other comprehensive income:

	Three months ended March 31, 2015		
	Before tax	Tax (expense) /benefit	Net of tax
Available-for-sale financial assets			
—Net changes in fair value	455,281	(27,476)	427,805
—Reclassified to profit or loss	72,363	(18,091)	54,272
Share of other comprehensive income of associates	18,971	—	18,971
Exchange differences on translation of financial statements in foreign currencies	(4,984)	—	(4,984)
Total	541,631	(45,567)	496,064

	Three months ended March 31, 2014		
	Before tax	Tax (expense) /benefit	Net of tax
Available-for-sale financial assets			
—Net changes in fair value	(68,471)	17,118	(51,353)
—Reclassified to profit or loss	(79,168)	19,792	(59,376)
Share of other comprehensive income of associates	(3,093)	—	(3,093)
Exchange differences on translation of financial statements in foreign currencies	4,918	—	4,918
Total	(145,814)	36,910	(108,904)

(d) Deferred tax assets not recognized

As at March 31, 2015 and December 31, 2014, in accordance with the accounting policy set out in Note 3(n)(ii) of Appendix I, the Group has not recognized deferred tax assets in respect of cumulative tax losses of RMB9,906 thousand and RMB4,068 thousand respectively, as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

22 OTHER NON-CURRENT ASSETS

(a) Analyzed by nature:

	As at March 31, 2015	As at December 31, 2014
Leasehold improvements and long-term deferred expenses	102,037	108,854

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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22 OTHER NON-CURRENT ASSETS—continued

(b) The movements of leasehold improvements and long-term deferred expenses are as below:

	As at March 31, 2015	As at December 31, 2014
Balance at beginning of the period	108,854	164,583
Additions	5,664	14,381
Transfer in from property and equipment (Note 17)	798	12,602
Amortization	(13,279)	(82,712)
Balance at end of the period	102,037	108,854

23 ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

	As at March 31, 2015	As at December 31, 2014
Accounts receivable of:		
—Fee and commission	114,453	103,487
—Brokers and dealers	98,857	244,162
—Settlement	55,556	2,642
—Others	149,245	12,760
Less: Provision for impairment losses	(797)	(398)
Total	417,314	362,653

(b) Analyzed by aging:

The aging analysis of accounts receivable, based on the trade date, is as follows:

	As at March 31, 2015	As at December 31, 2014
Within 1 month	332,965	249,564
1 to 3 months	61,656	110,387
Over 3 months	22,693	2,702
Total	417,314	362,653

(c) Analysis of the movement of provision for impairment losses:

	As at March 31, 2015	As at December 31, 2014
At the beginning of the period	398	55
Charge for the period	399	343
At the end of the period	797	398

(d) Accounts receivable that is not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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24 OTHER RECEIVABLES AND PREPAYMENTS

(a) Analyzed by nature:

	As at March 31, 2015	As at December 31, 2014
Interest receivable	2,385,253	1,751,677
Other receivables[(i)]	679,267	530,765
Prepayments	62,981	63,520
Deferred expenses	10,563	32,464
Others	187,718	83,567
Less: Impairment on other receivables and prepayments	(405,421)	(404,773)
Total	2,920,361	2,057,220

(i) The balance of other receivables mainly represents the amount due from non-controlling shareholders of Huatai United Securities Co., Ltd., receivables from securities investor protection fund and sundry receivables arising from normal course of business.

(b) Analysis of the movement of provision for impairment losses:

	As at March 31, 2015	As at December 31, 2014
At the beginning of the period	404,773	396,656
Charge for the period	1,284	22,714
Recovery of receivables written off in previous years	—	18
Reversal of impairment	(636)	(14,615)
At the end of the period	405,421	404,773

25 MARGIN ACCOUNTS RECEIVABLE

(a) Analyzed by nature:

	As at March 31, 2015	As at December 31, 2014
Individuals	90,816,223	61,180,200
Institutions	4,779,635	3,456,539
Total	95,595,858	64,636,739

(b) The fair value of collaterals for margin financing and securities lending business is analyzed as the followings:

	As at March 31, 2015	As at December 31, 2014
Fair value of collaterals:		
—Equity securities	246,763,646	154,450,637
—Cash	16,036,481	9,829,634
—Funds	2,572,244	1,852,966
—Debt securities	24,468	69,168
Total	265,396,839	166,202,405

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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25 MARGIN ACCOUNTS RECEIVABLE—continued

(b) The fair value of collaterals for margin financing and securities lending business is analyzed as the followings—continued:

The Group evaluates the collectability of receivable from margin clients based on management's assessment on the credit rating, collateral value and the past collection history of each margin client. As at March 31, 2015 and December 31, 2014, no provision for impairment losses was made on receivable from margin clients of the Group.

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Analyzed by type:

	As at March 31, 2015	As at December 31, 2014
Held for trading:		
—Debt securities	37,575,655	34,486,848
—Equity securities	12,874,348	8,360,220
—Funds	4,219,985	12,186,905
—Wealth management products	1,251,227	965,985
Total	55,921,215	55,999,958

(b) Analyzed as:

	As at March 31, 2015	As at December 31, 2014
Held for trading:		
—Listed outside Hong Kong	28,544,258	24,651,355
—Listed in Hong Kong	444,143	421,183
—Unlisted	26,932,814	30,927,420
Total	55,921,215	55,999,958

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27 DERIVATIVE FINANCIAL INSTRUMENTS

	As at March 31, 2015		
	Notional amount	Fair Value	
		Assets	Liabilities
Interest rate derivatives	15,853,068	83,546	(30,562)
—Treasury futures	245,958	2,979	—
—Interest rate swap contracts	15,607,110	80,567	(30,562)
Equity derivatives	13,071,209	13,468	(1,695,291)
—Stock index futures	7,076,779	73	(548,088)
—Equity return swaps	5,125,345	1,568	(1,129,698)
—Exchange-traded options	690,135	11,827	(16,904)
—Over-the-counter options	178,950	—	(601)
Credit derivatives	276,399	13,638	(5,663)
—Credit default swaps	276,399	13,638	(5,663)
Others	10,738,754	5,945	(329,054)
—Commodity futures	258,144	5,945	—
—Forward contracts	10,480,610	—	(329,054)
Total	39,939,430	116,597	(2,060,570)
Less: settlement		(80,353)	548,088
Net position		36,244	(1,512,482)

	As at December 31, 2014		
	Notional amount	Fair Value	
		Assets	Liabilities
Interest rate derivatives	14,914,052	71,474	(49,250)
—Treasury futures	57,933	—	(90)
—Interest rate swap contracts	14,856,119	71,474	(49,160)
Equity derivatives	10,820,956	3,482	(911,738)
—Stock index futures	6,768,393	—	(230,155)
—Equity return swaps	3,941,640	3,407	(681,564)
—Exchange-traded options	10,923	75	(19)
—Over-the-counter options	100,000	—	—
Others	249,871	4,602	—
—Commodity futures	249,871	4,602	—
Total	25,984,879	79,558	(960,988)
Less: settlement		(58,743)	230,245
Net position		20,815	(730,743)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in Shanghai Clearing House, stock index futures, treasury futures and certain commodity futures traded through Huatai Futures Co. Ltd., were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the above contracts was nil as at March 31, 2015 and December 31, 2014.

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28 CLEARING SETTLEMENT FUNDS

	As at March 31, 2015	As at December 31, 2014
Deposits with stock exchanges		
—China Securities Depository and Clearing Corporation Limited	1,886,226	540,747
Deposits with other institutions		
—Shanghai Gold Exchange	716,433	—
—Others	2,511	3,508
Total	2,605,170	544,255

29 CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold clients' monies arising from its normal course of business. The Group has classified its brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the condensed consolidated statements of financial position, and recognized the corresponding accounts payable to the respective brokerage clients on the grounds that it is liable for any loss or misappropriation of its brokerage clients' monies. In the PRC, cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

30 CASH AND BANK BALANCES

	As at March 31, 2015	As at December 31, 2014
Cash on hand	625	542
Bank balances	47,785,957	36,001,085
Total	47,786,582	36,001,627

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates.

31 CASH AND CASH EQUIVALENTS

	As at March 31, 2015	As at March 31, 2014
Cash on hand	625	1,087
Bank balances	47,785,957	19,713,036
Clearing settlement funds	2,605,170	481,876
Financial assets held under resale agreements within 3 months original maturity	2,494,998	2,352,040
Less: restricted bank deposits	(9,472,710)	(7,655,591)
Total	43,414,040	14,892,448

The restricted bank deposits include bank deposits with original maturity of more than three months held by the Group and risk reserve deposits.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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32 SHORT-TERM BANK LOANS

The short-term bank loans were unsecured as follows:

	As at March 31, 2015	As at December 31, 2014
Unsecured bank loans	115,645	—

At March 31, 2015, the short-term bank loans borrowed by the Company's Hong Kong subsidiary was unsecured, bearing interest at 1% per annum and repayable within 1 year.

33 SHORT-TERM DEBT INSTRUMENTS ISSUED

	Nominal interest rate	Book value as at January 1, 2015	Issuance	Redemption	Book value as at March 31, 2015
Short-term commercial papers(1)	4.15% – 6.35%	8,500,000	8,000,000	(8,500,000)	8,000,000
Short-term corporate bonds(2)	6.00%	7,000,000	—	—	7,000,000
Short-term subordinated bonds(3)	5.10% – 5.95%	7,000,000	—	—	7,000,000
Structured notes(4)	3.00% – 8.00%	2,287,070	5,676,396	(1,898,269)	6,065,197
Total		24,787,070	13,676,396	(10,398,269)	28,065,197

	Nominal interest rate	Book value as at January 1, 2014	Issuance	Redemption	Book value as at December 31, 2014
Short-term commercial papers(1)	4.15% – 6.35%	8,000,000	35,300,000	(34,800,000)	8,500,000
Short-term corporate bonds(2)	6.00%	—	7,000,000	—	7,000,000
Short-term subordinated bonds(3)	5.10% – 5.95%	—	7,000,000	—	7,000,000
Structured notes(4)	5.50% – 9.00%	—	2,320,070	(33,000)	2,287,070
Total		8,000,000	51,620,070	(34,833,000)	24,787,070

(1) As approved by PBOC pursuant to the Approval for the Issuance of Short-term Commercial Papers by Huatai Securities Co., Ltd. (Yin Fa [2014] No.112), the Company has been entitled to issue short-term commercial papers within the balance of RMB12.1 billion. The approval is valid within 1 year.

(2) As approved by CSRC pursuant to the Approval for the Issuance of Short-term Corporate Bonds by Huatai Securities Co., Ltd., the Company has issued one tranche of short-term corporate bond in 2014, bearing interest at 6% per annum, repayable within 1 year.

(3) As approved by the Board, the Company has been entitled to issue subordinated bonds. Subordinated bonds repayable more than 1 year are disclosed in Note 38.

(4) In 2015, the Company has issued 29 tranches of structured notes, bearing interest ranging from 3.0% to 8.0% per annum, repayable within 1 year. In 2014, the Company has issued 16 tranches of structured notes, bearing interest ranging from 5.5% to 9.0% per annum, repayable within 1 year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

34 PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	Note	As at March 31, 2015	As at December 31, 2014
Placements from China Securities Finance Co., Ltd.	(1)	1,500,000	1,500,000
Interbank lending	(2)	400,000	—
Total		1,900,000	1,500,000

(1) As at March 31, 2015 and December 31, 2014, the placements from China Securities Finance Co., Ltd. are unsecured and bear interest ranging from 5.8% to 6.3% and 5.8% per annum respectively, with original maturities within 182 days and 182 days respectively.

(2) As at March 31, 2015, the interbank lending is unsecured and bears interest ranging from 3.4% to 4.1% per annum, with original maturities within 7 days.

35 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	As at March 31, 2015	As at December 31, 2014
Clients' deposits for margin financing and securities lending	16,099,029	9,829,634
Clients' deposits for other brokerage business	83,046,129	60,398,771
Total	99,145,158	70,228,405

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group. Accounts payable to brokerage clients are interest bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

36 OTHER PAYABLES AND ACCRUALS

	As at March 31, 2015	As at December 31, 2014
Payables to interest holders of consolidated structured entities	63,157,248	49,903,536
Dividend payable to existing shareholders to the Company	2,800,000	—
Payable for equity return swaps	2,191,843	920,482
Interest payable	1,731,856	1,025,327
Business tax and other tax payable	1,474,004	1,071,259
Payable to open-ended funds	1,259,423	2,409,018
Payable for office building construction	881,386	681,766
Dividend to be converted to the investment capital of consolidated structured entities	388,406	236,682
Payable to brokerage agents	123,571	24,572
Futures risk reserve	83,090	80,169
Settlement payables	74,778	36,639
Payable to the securities investors protection fund	28,202	39,182
Others(i)	347,824	373,687
Total	74,541,631	56,802,319

(i) The balance of others mainly represents payable to the joint bonds underwriter, IPO cost payable, and sundry payables arising from normal course of business.

37 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at March 31, 2015	As at December 31, 2014
Financial liabilities held for trading		
—Equity securities	35,175	9,245
—Gold leasing	10,339,232	—
Financial liabilities designated at fair value through profit or loss:		
—Structured entities	5,420	—
Total	10,379,827	9,245

In the condensed consolidated financial statements, the financial liabilities arising from consolidation of structured entities are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors upon maturity dates of the structured entities based on net book value and related terms of those consolidated asset management schemes.

38 LONG-TERM BONDS

As at March 31, 2015

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
13 HUATAI 01(1)	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
13 HUATAI 02(1)	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
14 HUATAI 02(2)	RMB3,000,000	18/04/2014	21/04/2016	RMB3,000,000	6.15%
14 HUATAI 03(3)	RMB2,000,000	26/09/2014	29/09/2017	RMB2,000,000	5.70%
14 HUATAI 04(3)	RMB4,000,000	26/09/2014	29/09/2018	RMB4,000,000	5.90%
15 HUATAI 01(4)	RMB6,000,000	22/01/2015	23/01/2017	RMB6,000,000	5.90%
HUATAI B1910(5)	US$400,000	08/10/2014	08/10/2019	US$399,656	3.625%

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

38 LONG-TERM BONDS—continued

Name	Book value as at January 1, 2015	Increase	Amount of amortization	Decrease	Book value as at March 31, 2015
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 01(1)	3,994,117	—	299	—	3,994,416
13 HUATAI 02(1)	5,988,198	—	988	—	5,989,186
14 HUATAI 02(2)	2,992,295	—	1,471	—	2,993,766
14 HUATAI 03(3)	2,000,000	—	—	—	2,000,000
14 HUATAI 04(3)	4,000,000	—	—	—	4,000,000
15 HUATAI 01(4)	—	6,000,000	—	—	6,000,000
HUATAI B1910(5)	2,370,714	84,281	—	—	2,454,995
Total	21,345,324	6,084,281	2,758	—	27,432,363

As at December 31, 2014

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
13 HUATAI 01(1)	RMB4,000,000	05/06/2013	05/06/2018	RMB4,000,000	4.68%
13 HUATAI 02(1)	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
14 HUATAI 02(2)	RMB3,000,000	18/04/2014	21/04/2016	RMB3,000,000	6.15%
14 HUATAI 03(3)	RMB2,000,000	26/09/2014	29/09/2017	RMB2,000,000	5.70%
14 HUATAI 04(3)	RMB4,000,000	26/09/2014	29/09/2018	RMB4,000,000	5.90%
HUATAI B1910(5)	US$390,000	08/10/2014	08/10/2019	US$389,665	3.625%

Name	Book value as at January 1, 2014	Increase	Amount of amortization	Decrease	Book value as at December 31, 2014
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 01(1)	3,992,473	—	1,644	—	3,994,117
13 HUATAI 02(1)	5,987,631	—	567	—	5,988,198
14 HUATAI 02(2)	—	2,988,375	3,920	—	2,992,295
14 HUATAI 03(3)	—	2,000,000	—	—	2,000,000
14 HUATAI 04(3)	—	4,000,000	—	—	4,000,000
HUATAI B1910(5)	—	2,369,976	738	—	2,370,714
Total	9,980,104	11,358,351	6,869	—	21,345,324

(1) As approved by CSRC, the Company has issued 5-year corporate bond amounting to RMB4 billion and 10-year corporate bond amounting to RMB6 billion on June 5, 2013. These two tranches of corporate bonds were listed in the Shanghai Stock Exchange on July 17, 2013.

(2) As approved by the Board, the Company has issued 2-year subordinated bond amounting to RMB3 billion on April 18, 2014.

(3) As approved by the Board, the Company has issued 3-year subordinated bond amounting to RMB2 billion and 4-year subordinated bond amounting to RMB4 billion on September 26, 2014.

(4) As approved by the Board, the Company has issued 2-year subordinated bond amounting to RMB6 billion on January 22, 2015.

(5) Huatai International Finance I Limited, the Company's Hong Kong subsidiary, has issued a 5-year bond with a face value of USD0.4 billion on October 8, 2014 which the Group held USD0.01 billion bond as at December 31, 2014 and then disposed in 2015. The bond was guaranteed by the Bank of China. The Company has provided counter-guarantee to the Bank of China.

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39 LONG-TERM BANK LOANS

The long-term bank loans were secured as follows:

	As at March 31, 2015	As at December 31, 2014
Secured bank loans	316,004	138,658

At March 31, 2015 and December 31, 2014, the banking facility of the Company was secured by mortgage over its land. Such banking facilities amounted to RMB500,000 thousand. The facilities were utilized to the extent of RMB316,004 thousand and RMB138,658 thousand respectively, bearing interest at 6% per annum, repayable within 5 years.

40 OTHER NON-CURRENT LIABILITIES

	As at March 31, 2015	As at December 31, 2014
Payable of net assets attributable to other limited partners in private equity funds	1,871,567	843,786
Payable for equity return swaps	640,748	822,000
Total	2,512,315	1,665,786

41 SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at March 31, 2015	As at December 31, 2014
Number of shares registered, issued and fully paid (at RMB1 per share)	5,600,000	5,600,000

42 RETAINED PROFITS

Pursuant to the resolution of the general meeting of the shareholders dated March 30, 2015, the Company was approved to distribute cash dividends of RMB5.00 (tax inclusive) per 10 A Shares to our existing holders of A Shares, with a total cash dividend amounting to RMB2,800,000 thousand.

43 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at March 31, 2015 and December 31, 2014 not provided for in the financial statements were as follows:

	As at March 31, 2015	As at December 31, 2014
Contracted, but not provided for	1,810,072	2,428,227

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(Expressed in thousands of Renminbi, unless otherwise stated)

43 COMMITMENTS—continued

(a) Capital commitments—continued

The above-mentioned capital commitments mainly represent the construction of properties of the Group, as well as the investment commitments on the subsidiary and private equity funds.

(b) Operating lease commitments

As at March 31, 2015 and December 31, 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at March 31, 2015	As at December 31, 2014
Within 1 year (inclusive)	162,231	182,742
1-2 years (inclusive)	125,817	124,132
2-3 years (inclusive)	62,360	67,273
After 3 years	42,864	42,887
Total	393,272	417,034

44 INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group stand for the asset management schemes where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management product to a level of such significance that it indicates that the Group is a principal.

As at March 31, 2015 and December 31, 2014, the total assets of the consolidated asset management schemes are RMB67,229,514 thousand and RMB55,318,894 thousand respectively, and the carrying amount of interests held by the Group in the consolidated asset management schemes are RMB3,878,064 thousand and RMB3,746,451 thousand respectively.

(b) Structured entities sponsored by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include funds, asset management schemes, trust schemes, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

44 INTERESTS IN STRUCTURED ENTITIES—continued

(b) Structured entities sponsored by third party institutions in which the Group holds an interest—continued

The carrying amount of the related accounts in the condensed consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at March 31, 2015 and December 31, 2014, which are listed as below:

	As at March 31, 2015		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	504,993	4,219,985	4,724,978
Asset management schemes	40,000	—	40,000
Trust schemes	103,058	—	103,058
Wealth management products	1,225,737	1,164,302	2,390,039
Total	1,873,788	5,384,287	7,258,075

	As at December 31, 2014		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Funds	342,430	12,186,905	12,529,335
Asset management schemes	40,000	—	40,000
Trust schemes	1,391,787	—	1,391,787
Wealth management products	1,667,688	746,977	2,414,665
Total	3,441,905	12,933,882	16,375,787

The maximum exposure to loss for funds, asset management schemes, trust schemes and wealth management products is the fair value as at March 31, 2015 and December 31, 2014.

(c) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in

Structured entities for which the Group served as general partner or manager, therefore has power over them are asset management schemes. Except for the structured entities that the Group has consolidated as set out in Note 44(a), the Group's exposure to the variable returns in the structured entities in which the Group has interest are not significant. The Group therefore did not consolidate these structured entities.

As at March 31, 2015 and December 31, 2014, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB351,972,720 thousand and RMB298,342,110 thousand respectively.

Investments and income derived from these unconsolidated structured entities held by the Group were not significant.

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45 CONTINGENCIES

As at March 31, 2015 and December 31, 2014, the Group was not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, the Group expect would materially adversely affect its financial position or results of operations.

46 RELATED PARTY TRANSACTIONS

(a) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership.

Share percentage in the Company:

	As at March 31, 2015	As at December 31, 2014
Jiangsu Guoxin Investment Group Limited	23.53%	23.89%
Jiangsu Communications Holding Company Limited	7.23%	6.99%
Govtor Capital Group Co., Ltd.	6.43%	6.43%
Jiangsu SOHO Holdings Group Co., Ltd.	5.07%	5.22%
Jiangsu High Hope International Group Co., Ltd.*	4.68%	4.89%

* As at December 31, 2012, 2013 and 2014, Jiangsu High Hope International Group Co., Ltd. held 7.85%, 6.17% and 4.89% of the shares of the Company, respectively.

(i) Transactions with major shareholders:

	Three months ended March 31,	
	2015	2014
Fee and commission income	1,130	110
Rental expenses	260	829

(ii) Balances with major shareholders:

	As at March 31, 2015	As at December 31, 2014
Accounts payable to brokerage clients	215	22,398
Other current liabilities and accruals	3,211	3,211

(b) Other related parties

Other related parties can be individuals or enterprises, which include: the Company's associates, and close family members of the Board of Directors, the Board of Supervisors and senior management.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

46 RELATED PARTY TRANSACTIONS—continued

(b) Other related parties—continued

(i) Transactions with other related parties:

	Three months ended March 31,	
	2015	2014
Disposal of financial assets at fair value through profit or loss	(1,755,419)	(457,448)
(Disposal of)/investment in available-for-sale financial assets	(35,000)	16,875
Disposal gains/(losses)	148,082	(13,599)
Fee and commission income	20,330	15,089
Dividend received	2,947	3,902
Rental income	276	276

(ii) Balances with other related parties:

	As at March 31, 2015	As at December 31, 2014
Financial assets at fair value through profit or loss	550,320	2,400,811
Accounts receivable	16,665	14,176
Accounts payable to brokerage clients	2,999	15
Available-for-sale financial assets	—	36,595

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, is as follows:

	Three months ended March 31,	
	2015	2014
Short-term employee benefits —Fees, salaries, allowances and bonuses	11,373	5,839
Post-employment benefits —Contribution to pension scheme	126	90
Total	11,499	5,929

Total remuneration is included in “staff costs” (see Note 11).

47 SEGMENT REPORTING

Management manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- Brokerage and wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of clients, and also selling securities products and services to institutional investor clients and providing professional research services to facilitate their investment decisions. Moreover, the activities of providing margin financing, securities

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(Expressed in thousands of Renminbi, unless otherwise stated)

47 SEGMENT REPORTING—continued

lending, securities-backed lending, stock repurchases and sell financial products are included in this segment.

- Investment banking segment provides investment banking services to the Group's corporate clients, including financial advisory, equity underwriting and debt underwriting as well as National Equities Exchange and Quotations and regional equity exchange-related services.
- Asset management segment manages the developing of asset management products and services based on the asset scale and clients' needs, provides traditional asset management services, and operates private equity asset management business through wholly-owned subsidiaries.
- Investment and trading segment engages in trading equity securities, fixed-income securities, derivatives and other financial products for own account for the objective of achieving investment income, developing and issuing OTC financial products, and trading with counterparties over the counter.
- Overseas business and others segment includes the overseas business of Hong Kong subsidiaries and other operations of head office, including interest income and interest expense incurred for general working capital purpose.

(a) Business segments

For the three months ended March 31, 2015

	Brokerage and wealth management	Investment banking	Asset management	Investment and trading	Overseas business and others	Segment total
Revenue						
—External	5,291,994	280,526	398,153	1,230,278	147,792	7,348,743
—Inter-segment	273	—	—	—	—	273
Other income and gains	18,140	4,082	311	20	217	22,770
Segment revenue and other income	5,310,407	284,608	398,464	1,230,298	148,009	7,371,786
Segment expenses	(2,921,431)	(153,403)	(136,827)	(378,364)	(1,174,153)	(4,764,178)
Segment operating profit/(loss)	2,388,976	131,205	261,637	851,934	(1,026,144)	2,607,608
Share of (loss)/profit of associates	—	—	(4,800)	—	99,949	95,149
Profit/(loss) before income tax	2,388,976	131,205	256,837	851,934	(926,195)	2,702,757
Interest income	2,169,932	36,227	312,283	12,603	110,165	2,641,210
Interest expenses	(907,448)	—	(42,257)	(158,606)	(471,604)	(1,579,915)
Depreciation and amortization	(31,574)	(3,231)	(173)	(1,172)	(33,713)	(69,863)
Reversal of/(provision for) impairment losses	—	—	—	636	(1,683)	(1,047)
Additions to non-current segment assets during the period	12,001	518	200	1,191	444,017	457,927
As at March 31, 2015						
Segment assets	209,836,867	3,949,391	75,135,358	34,787,789	96,138,720	419,848,125
Segment liabilities	(204,696,554)	(703,473)	(69,206,285)	(33,235,870)	(70,330,663)	(378,172,845)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

47 SEGMENT REPORTING—continued

(a) Business segments—continued

For the three months ended March 31, 2014

	Brokerage and wealth management	Investment banking	Asset management	Investment and trading	Overseas business and others	Segment total
Revenue						
—External	1,804,027	245,071	186,218	486,225	56,981	2,778,522
—Inter-segment	227	—	—	—	—	227
Other income and gains	22,712	11,230	279	—	2,342	36,563
Segment revenue and other income	1,826,966	256,301	186,497	486,225	59,323	2,815,312
Segment expenses	(891,224)	(187,311)	(28,721)	(223,456)	(476,747)	(1,807,459)
Segment operating profit/(loss)	935,742	68,990	157,776	262,769	(417,424)	1,007,853
Share of profit of associates	—	—	—	—	47,144	47,144
Profit/(loss) before income tax	935,742	68,990	157,776	262,769	(370,280)	1,054,997
Interest income	670,131	25,862	133,364	10,044	39,058	878,459
Interest expenses	(103,373)	—	(7,047)	(185,740)	(123,704)	(419,864)
Depreciation and amortization	(39,794)	(4,323)	(46)	(551)	(32,492)	(77,206)
Reversal of impairment losses	—	—	—	—	293	293
Additions to non-current segment assets during the period	13,473	788	2	164	131,942	146,369
As at December 31, 2014						
Segment assets	151,991,707	3,911,596	60,855,372	31,038,255	70,882,123	318,679,053
Segment liabilities	(148,246,433)	(899,628)	(55,390,532)	(28,640,444)	(43,557,608)	(276,734,645)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

47 SEGMENT REPORTING—continued

(a) Business segments—continued

Reconciliations of segment revenues, profit or loss, assets and liabilities:

	For the three months ended March 31, 2015	2014
Revenue		
Total revenue and other income for segments	7,371,786	2,815,312
Elimination of inter-segment revenue	(273)	(227)
Consolidated revenue and other income	7,371,513	2,815,085
Profit		
Total profit before income tax for segments	2,702,757	1,054,997
Elimination of inter-segment profit	—	—
Consolidated profit before income tax	2,702,757	1,054,997

	As at March 31, 2015	As at December 31, 2014
Assets		
Total assets for segments	419,848,125	318,679,053
Elimination of inter-segment assets	(72,163,868)	(46,453,017)
Consolidated total assets	347,684,257	272,226,036
Liabilities		
Total liabilities for segments	(378,172,845)	(276,734,645)
Elimination of inter-segment liabilities	72,163,868	46,453,017
Consolidated total liabilities	(306,008,977)	(230,281,628)

For the three months ended March 31, 2015 and March 31, 2014, the Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

47 SEGMENT REPORTING—continued

(b) Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property and equipment, investment properties, goodwill, other intangible assets, interest in associates and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment and other non-current assets, the location of the operation to which they are allocated, in the case of goodwill and other intangible assets, and the location of operations, in the case of interest in associates.

	For the three months ended March 31, 2015			For the three months ended March 31, 2014		
	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total
Segment Revenue						
Revenue from external customers	7,303,487	45,256	7,348,743	2,751,075	27,447	2,778,522
Other income and gains	25,098	(2,328)	22,770	35,954	609	36,563
Total	7,328,585	42,928	7,371,513	2,787,029	28,056	2,815,085

	As at March 31, 2015			As at December 31, 2014		
	Mainland China	Hong Kong	Total	Mainland China	Hong Kong	Total
Specified non-current assets	7,091,589	15,180	7,106,769	6,398,136	15,426	6,413,562

48 FAIR VALUE INFORMATION

(a) Fair value of financial instruments

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Financial assets including cash and bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, and financial liabilities including placements from other financial institutions and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair values.

(ii) Financial assets at fair value through profit or loss, derivatives and available-for-sale financial assets are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active open markets, the Group uses market prices or markets rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of Renminbi, unless otherwise stated)

48 FAIR VALUE INFORMATION—continued

(a) Fair value of financial instruments—continued

(iii) The fair values of held-to-maturity investments, short-term debt instruments issued and long-term bonds are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair values using pricing models or discounted cash flow.

(iv) Account receivable, other receivables and prepayments, margin accounts receivable, and accounts payable to brokerage clients are within one year. Accordingly, the carrying amounts approximate the fair values.

(b) Fair value of other financial instruments (carried at other than fair value)

The carrying amount and fair value of held-to-maturity investments, short-term debt instruments issued and long-term bonds which are not presented at fair value are listed as below:

Carrying amount

	As at March 31, 2015	As at December 31, 2014
Financial assets		
—Held-to-maturity investments	5,000	5,000
Total	5,000	5,000
Financial liabilities		
—Short-term debt instruments issued	(28,065,197)	(24,787,070)
—Long-term bonds	(27,432,363)	(21,345,324)
Total	(55,497,560)	(46,132,394)

Fair value

	As at March 31, 2015			
	Level I	Level II	Level III	Total
Financial assets				
—Held-to-maturity investments	—	4,970	—	4,970
Total	—	4,970	—	4,970
Financial liabilities				
—Short-term debt instruments issued	(14,000,000)	(8,000,445)	(6,065,197)	(28,065,642)
—Long-term bonds	(27,457,077)	—	—	(27,457,077)
Total	(41,457,077)	(8,000,445)	(6,065,197)	(55,522,719)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

48 FAIR VALUE INFORMATION—continued

(b) Fair value of other financial instruments (carried at other than fair value)—continued

Fair value—continued

	As at December 31, 2014			
	Level I	Level II	Level III	Total
Financial assets				
—Held-to-maturity Investments	—	4,985	—	4,985
Total	—	4,985	—	4,985
Financial liabilities				
—Short-term debt instruments issued	(13,966,777)	(8,491,147)	(2,287,070)	(24,744,994)
—Long-term bonds	(21,254,786)	—	—	(21,254,786)
Total	(35,221,563)	(8,491,147)	(2,287,070)	(45,999,780)

The fair values of the financial assets and financial liabilities included in the level II and III 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 amortized cost and available-for-sale financial assets at cost less impairment in the Group's condensed consolidated statements of financial position approximate their fair values.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

48 FAIR VALUE INFORMATION—continued

(c) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	As at March 31, 2015			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
—Debt securities	14,574,070	22,814,454	187,131	37,575,655
—Equity securities	12,432,043	442,305	—	12,874,348
—Funds	4,219,985	—	—	4,219,985
—Wealth management products	506,443	744,784	—	1,251,227
Available-for-sale financial assets				
—Debt securities	242,236	—	154,960	397,196
—Equity securities	727,858	1,199,803	5,172,013	7,099,674
—Funds	501,360	3,633	—	504,993
—Wealth management products	409,496	429,984	740,093	1,579,573
Derivative financial assets	—	36,244	—	36,244
Total	33,613,491	25,671,207	6,254,197	65,538,895
Liabilities				
Financial liabilities at fair value through profit or loss	(35,175)	(10,344,652)	—	(10,379,827)
Derivative financial liabilities	—	(1,512,482)	—	(1,512,482)
Total	(35,175)	(11,857,134)	—	(11,892,309)

	As at December 31, 2014			
	Level I	Level II	Level III	Total
Assets				
Financial assets at fair value through profit or loss				
—Debt securities	13,417,327	20,883,150	186,371	34,486,848
—Equity securities	8,161,578	198,642	—	8,360,220
—Funds	12,186,905	—	—	12,186,905
—Wealth management products	121,520	844,465	—	965,985
Available-for-sale financial assets				
—Debt securities	242,031	—	149,310	391,341
—Equity securities	579,929	27,748	4,485,676	5,093,353
—Funds	339,670	2,760	—	342,430
—Wealth management products	275,553	1,882,168	1,159,009	3,316,730
Derivative financial assets	—	20,815	—	20,815
Total	35,324,513	23,859,748	5,980,366	65,164,627
Liabilities				
Financial liabilities at fair value through profit or loss	(9,245)	—	—	(9,245)
Derivative financial liabilities	—	(730,743)	—	(730,743)
Total	(9,245)	(730,743)	—	(739,988)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of Renminbi, unless otherwise stated)

48 FAIR VALUE INFORMATION—continued

(c) Fair value hierarchy—continued

For the three month ended March 31, 2015 and December 31, 2014, there were no significant transfer among Level I, Level II and Level III of the fair value hierarchy.

(i) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I. Financial assets included in Level I comprise primarily securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange as trading securities or available for sale.

(ii) Financial instruments in Level II

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level II.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level III.

(iii) Valuation methods for specific investments

As at March 31, 2015 and December 31, 2014, the Group's valuation methods for specific investments are as follows:

(1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. For those which has no quoted market price or those with lock-up periods as at the reporting date, valuation techniques are used to determine the fair value.

(2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-end funds and wealth management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.

(3) For debt securities listed through exchanges, fair value is determined based on the closing price within bid-ask spread of the debt securities at the date of statements of financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of Renminbi, unless otherwise stated)

48 FAIR VALUE INFORMATION—continued

(c) Fair value hierarchy—continued

(iii) Valuation methods for specific investments—continued

(4) For debt securities traded through the inter-bank bond market and the over-the-counter market, fair value is determined using valuation techniques.

(5) For gold leasing and derivative financial instruments, fair value is determined using valuation techniques.

(iv) Financial instruments in Level III

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
As at January 1, 2015	186,371	5,793,995	5,980,366
Gains or losses for the period	760	31,100	31,860
Changes in fair value recognized in other comprehensive income	—	147,502	147,502
Purchases	—	1,186,678	1,186,678
Sales and settlements	—	(1,092,209)	(1,092,209)
As at March 31, 2015	187,131	6,067,066	6,254,197
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	760	2,290	3,050

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
As at January 1, 2014	—	2,923,297	2,923,297
Gains or losses for the year	49,816	12,648	62,464
Changes in fair value recognized in other comprehensive income	—	1,765,890	1,765,890
Purchases	138,052	1,253,808	1,391,860
Sales and settlements	(1,497)	(161,648)	(163,145)
As at December 31, 2014	186,371	5,793,995	5,980,366
Total gains or losses for the year included in profit or loss for assets held at the end of the reporting period	49,816	5,243	55,059

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of Renminbi, unless otherwise stated)

48 FAIR VALUE INFORMATION—continued

(c) Fair value hierarchy—continued

(iv) Financial instruments in Level III—continued

For financial instruments in Level III, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

Financial assets	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Wealth management products and private placement bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Private convertible bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
		Option pricing model	Stock price volatility	The higher the stock price volatility, the higher the fair value
Unlisted equity investment	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value

49 EVENTS AFTER THE REPORTING DATE

(1) Issuance of short-term commercial papers

The Company issued the 2015 fourth tranche of short-term commercial paper on April 9, 2015. The short-term commercial paper with the face value of RMB3 billion was raised on April 10, 2015, bearing interest at 4.8% per annum and repayable on July 9, 2015.

(2) Issuance of subordinated bonds

Pursuant to the resolution of the thirteenth meeting of the third session of the Board and the fourth extraordinary general meeting of the shareholders, the Company completed the issuance of the second tranche of subordinated bonds with the face value of RMB12 billion on April 20, 2015. RMB7 billion of the total RMB12 billion subordinated bonds bears interest at 5.60% per annum with a maturity of 2 years, while the rest RMB5 billion bears interest at 5.80% per annum with a maturity of 5 years.

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, and the Unaudited Interim Financial Information, as set forth in Appendix I and II in this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the financial information included in the Accountants' Report and the Unaudited Interim Financial Information set forth in Appendix I and II to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma statement of adjusted consolidated net tangible assets of Huatai Securities Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is set out below to illustrate the effect of the proposed offering by the Company of its shares (the "Global Offering") on the consolidated net tangible assets of the Group attributable to the shareholders of the Company as at March 31, 2015, as if the Global Offering had taken place on March 31, 2015.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at March 31, 2015 or at any future date.

	Consolidated net tangible assets attributable to shareholders of the Company as at March 31, 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per share	
	RMB Million Note (1)	RMB Million Note (2)/(5)	RMB Million Note (3)	RMB Note (4)	HK$ Note (6)
Based on an offer price of HK$20.68 per share	40,570	22,309	62,879	8.98	11.39
Based on an offer price of HK$24.80 per share	40,570	26,766	67,336	9.62	12.20

Notes :

(1) The consolidated net tangible assets attributable to shareholders of the Company as at March 31, 2015 is compiled based on the unaudited financial information included in the Unaudited Interim Financial Information set out in Appendix II to the prospectus, which is based on the unaudited consolidated net assets attributable to shareholders of the Company of RMB41,010 million less other intangible assets of RMB389 million and goodwill of RMB51 million as at March 31, 2015. The unaudited consolidated net assets attributable to shareholders of the Company has taken into account the dividend of RMB0.5 per A Share to our existing holders of A Shares, equivalent to RMB2,800 million in aggregate, approved by our existing shareholders at the annual general meeting on March 30, 2015.

(2) The estimated net proceeds from the Global Offering are based on the offer price of HK$20.68 (being the minimum offer price) and HK$24.80 (being the maximum offer price) per H share and the assumption that there are 1,400,000,000 newly issued H Shares in the Global Offering, after deduction of the underwriting fees and other related expenses payable by the Company, assuming that the Over-allotment Option is not exercised.

(3) The unaudited pro forma adjusted consolidated net tangible assets does not take into account the financial results or other transactions of the Group subsequent to March 31, 2015.

(4) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived on the basis of 7,000,000,000 shares in issue assuming that the Global Offering has been completed on March 31, 2015 and that Over-allotment Option is not exercised.

(5) The estimated net proceeds from the Global Offering are translated into Renminbi at the rate of RMB0.7886 to HK$1.00, being the exchange rate set by the People's Bank of China prevailing on May 8, 2015. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rate.

(6) The unaudited pro forma adjusted consolidated net tangible assets per share is translated into Hong Kong dollars at exchange rate of RMB0.7886 to HK$1.00. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars at that rate or at any other rate.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

May 19, 2015

TO THE DIRECTORS OF HUATAI SECURITIES CO., LTD.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Huatai Securities Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at March 31, 2015 and related notes as set out in Part A of Appendix III to the prospectus dated May 19, 2015 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix III to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at March 31, 2015 as if the Global Offering had taken place at March 31, 2015. As part of this process, information about the Group's financial position as at March 31, 2015 has been extracted by the Directors from the Group's historical financial information included in the Unaudited Interim Financial Information as set out in Appendix II to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at March 31, 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

TAXATION OF SECURITY HOLDERS

The following is a summary of certain PRC and Hong Kong tax consequences of the ownership of H Shares by an investor that purchases such H Shares in connection with the Global Offering and holds the H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investors, some of which may be subject to special rules. This summary is based on the tax laws of the PRC and Hong Kong as in effect on the date hereof, as well as on the Agreement Between the U.S. and the PRC for the Avoidance of Double Taxation (the "Treaty"), all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

For purposes of this section of this prospectus, an "Eligible U.S. Holder" is any beneficial owner of H Shares that (i) is a resident of the United States for purposes of the Treaty, (ii) does not maintain a permanent establishment in the PRC in connection with H Shares and through which the beneficial owner conducts or had conducted business (or, in the case of an individual, provides or had provided independent personal services) and (iii) is otherwise eligible for benefits under the Treaty with respect to income and gain derived from the H Shares.

This section of this prospectus does not address any aspects of Hong Kong or PRC taxation other than income tax, capital gains tax, stamp duty and estate duty. Prospective investors are advised to consult their tax advisors regarding the tax consequences of holding and disposing of H Shares in the PRC, Hong Kong and other jurisdiction.

PRC TAXATION

Taxation of Dividends

Individual Investors

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) (the "Individual Income Tax Law") enacted by the Standing Committee of the fifth National People's Congress on September 10, 1980 and recently amended on June 30, 2011 and effective on September 1, 2011 and the Implementation Rules of Individual Income Tax Law of the People's Republic of China (the "Implementation Rules") recently amended by the State Council on July 19, 2011 and effective on September 1, 2011, dividends paid by PRC companies to individual investors are generally subject to a PRC withholding tax at a flat rate of 20%. For foreign individual investors, the receipt of dividends from a PRC company is normally subject to a personal income tax of 20% unless specifically exempted by the competent tax authority of the State Council or reduced in accordance with an applicable tax treaty.

Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No.045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No.348) promulgated by the State Administration of Taxation on June 28, 2011, foreign individual investors are entitled to enjoy the preferential tax treatments in accordance with the taxation arrangements entered into between their respective countries and the PRC for public offer by non-foreign invested PRC enterprises in Hong Kong. Generally, the PRC individual income tax at the rate of 10% is applicable to dividends paid by a non-foreign invested PRC enterprise (the "Relevant Non-foreign Invested PRC Enterprise") to foreign individual investors (the "Relevant Individual Investors") holding shares publicly offered by the Relevant Non-foreign PRC Enterprise in Hong Kong and no application for approval from the taxation authority in the PRC is required. In case the 10% tax rate is not applicable, the Relevant Non-foreign Invested PRC Enterprise shall: (i) apply on behalf of the investors for lower tax rates if the countries of the Relevant Individual Investors have entered into income tax treaties with the PRC with tax rates lower than 10%, and arrange for refund of over payment upon approval by the tax authority; (ii) withhold the tax at such rates as agreed if the countries of the Relevant Individual Investors have entered into income tax treaties with the PRC with tax rates higher than 10% but lower than 20%, and no application is required; (iii) withhold the tax at the rate of 20% if the countries of the Relevant Individual Investors have not entered into any taxation treaties with the PRC or otherwise.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (Guo Shui Han [2006] No.884) with respect to income tax entered into between mainland China and Hong Kong on August 21, 2006, the PRC government may impose tax on dividends payable by a PRC company to Hong Kong residents subject to a maximum of 10% of the gross amount of dividends payable, or 5% for Hong Kong residents holding not less than 25% equity interest in the PRC company upon approval by the PRC tax authority.

Enterprises

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (the "EIT Law") and the Provision for Implementation of Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) promulgated by the Standing Committee of the tenth National People's Congress on March 16, 2007 and became effective on January 1, 2008, non-resident enterprises shall be subject to 10% enterprise tax for income from the PRC provided that the non-resident enterprises do not have establishment in the PRC, or that the income has no connection with the establishment of the non-resident enterprises in the PRC. Such withholding tax may be reduced pursuant to an applicable double taxation treaty upon approval.

According to the Notice of the State Administration of Taxation regarding Questions on Withholding Enterprise Income tax when PRC Resident Enterprises Distribute Dividends to Non-resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No.897) issued by the State Administration of Taxation, which became effective on November 6, 2008, PRC resident enterprises shall withhold enterprise income tax at a rate of 10% for dividends distributed to non-resident enterprise shareholders of H Shares for 2008 and thereafter. Such withholding tax may be reduced pursuant to an applicable double taxation treaty upon approval.

Tax Treaties

Investors who reside in countries which have entered into double taxation treaties with the PRC may be entitled to a reduction of withholding tax on dividends to investors by PRC companies. The PRC currently has double-taxation treaties with many countries, including but not limited to, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, United Kingdom and the United States.

Taxation of Capital Gains

In accordance with the Implementation Rules, PRC resident individuals are subject to individual income tax at the rate of 20% on gains from the transfer of equity interests in PRC resident enterprises. The Implementation Rules also provide that the MOF shall propose measures for collection of individual income tax on income from the transfer of shares for approval by the State Council. However, no such measures have been proposed and enacted by the MOF. Under the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》)—jointly issued by the MOF and State Administration of Taxation on March 30, 1998, from January 1, 1997, income of individuals from transfer of shares in listed enterprises continues to be exempted from individual income tax. Although the State Administration of Taxation has not stated whether it will continue to exempt individual income tax on income of individuals from transfer of listed shares in the Individual Income Tax Law and the Implementation Rules, on December 31, 2009, the MOF, State Administration of Taxation and CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) which states that individuals' income from transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the shares of certain specified companies under certain situations which are subject to sales restriction (as defined in the Circular and its supplementary notice issued on November 10, 2010). As of the Latest Practicable Date, no legislation has explicitly determined the collection of income tax from non-Chinese resident individuals on the sale of shares in PRC resident enterprises listed on overseas stock exchanges. In fact, no such tax has been collected by the PRC tax authority.

Other Chinese Tax Considerations

PRC Stamp Duty

Pursuant to the Provisional Regulations of the People's Republic of China on Stamp Duty (《中華人民共和國印花稅暫行條例》) which became effective on October 1, 1988, PRC stamp duty on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside the PRC. According to the Provisional Regulations, PRC stamp duty shall only be applicable to documents executed or received in the PRC which have legal binding effect in the PRC and are governed by the PRC laws.

Estate Tax

According to the existing laws of the PRC, non-PRC residents are not subject to estate tax for the holding of H Shares.

MAJOR TAXATION OF THE COMPANY IN THE PRC

Income Tax

In accordance with the EIT Law, enterprises and other institutions established in the PRC shall be subject to enterprise income tax at the rate of 25%.

Business Tax

Pursuant to the Provisional Regulations of the People's Republic of China on Business Tax (《中華人民共和國營業稅暫行條例》) recently amended on November 5, 2008 and effective from January 1, 2009 and the relevant implementation rules, a business tax of 3% to 20% shall be imposed on enterprises for taxable services, transfer of intangible property and disposal of real estate in the PRC. Financial insurance enterprises shall be subject to business tax at the rate of 5%.

HONG KONG

Tax on Dividends

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

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H shares. However, trading gains from the sale of the H shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares.

Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE CONTROL

The lawful currency of the PRC is Renminbi, which is subject to foreign exchange controls and is not freely convertible. The SAFE under the PBOC is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Regulation of Foreign Exchange of the People's Republic of China (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Regulation"), which was subsequently amended on January 14, 1997 and August 5, 2008. Pursuant to the Foreign Exchange Regulation, all international payments and transfers are classified into current account items and capital account items. Most of the current account items are no longer subject to approval of the SAFE while capital account items are still subject to approval of the SAFE.

Pursuant to the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on June 20, 1996, which took effect on July 1, 1996, the existing restrictions on conversion of foreign exchange in respect of current account items in the PRC were abolished, while the restrictions on foreign exchange transactions in respect of capital account items remained unchanged.

Pursuant to the Notice Concerning Closure of the Foreign Exchange Swap Business Activities (《關於停辦外匯調劑業務的通知 》) promulgated by the PBOC and SAFE in October 25, 1998 and took effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises was discontinued. Thereafter, trading of foreign exchange by foreign-invested enterprise shall be settled through the banking system.

On July 21, 2005, the PBOC announced that Renminbi was no longer pegged to the U.S. dollar and an adjustable and manageable floating exchange rate system based on market supply and demand and with reference to a basket of currencies was implemented. The PBOC shall announce the closing exchange rates of foreign currencies (including the U.S. dollar) against Renminbi in the inter-bank foreign exchange market after the closing of the market on each trading day. The closing exchange rates shall be quoted as the middle exchange rate for Renminbi on the next trading day.

Since January 4, 2006, the PBOC improved the quotation of the mid exchange rate of Renminbi by introducing an enquiry system while keeping the match-making system in the inter-bank foreign exchange spot market. In addition, the liquidity of the foreign exchange market was also improved by adopting a market-making system in the inter-bank foreign exchange market.

In accordance with the Foreign Exchange Regulation, the foreign exchange income of current account items may be retained or sold to financial institutions engaging in the sales and settlement of foreign exchange. Foreign exchange income of capital account items may be retained or sold to financial institutions engaging in the sales and settlement of foreign exchange if so approved by the competent foreign exchange administrative authority unless it is exempted under the laws of the PRC.

PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without approval of the SAFE, effect payment from their foreign exchange accounts or convert and pay at designated foreign exchange banks with the provision of valid receipts and proof of transactions. Foreign-invested enterprises, which need foreign exchange for distribution of profits, and PRC enterprises, which need foreign exchange for distribution of dividends under applicable regulations, may effect payment from their foreign exchange account or convert and pay at designated foreign exchange banks according to the resolutions of shareholders' meetings or board meetings on the distribution and with the provision of required documents.

Conversion of foreign exchange in respect of capital account items, such as direct investment and capital contribution, is still subject to restriction and prior approval from the SAFE or its branches must be sought.

Dividends to investors of H Shares shall be denominated in Renminbi but shall be paid in Hong Kong dollars. The reporting currency of our consolidated financial statements is Renminbi.

The PBOC determines and quotes the daily base exchange rate primarily based on the market supply and demand of Renminbi against the U.S. dollar during the previous day. The PBOC also takes into account other factors such as the general conditions of the international foreign exchange markets. Although the PRC government introduced policies in 1996 to reduce restrictions on the conversion of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign currency for capital account items, such as foreign direct investment, loans or securities, still requires approval of the SAFE and other relevant authorities.

In accordance with the Notice on Relevant Issues of Foreign Exchange Management of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE and took effect on December 26, 2014, a domestic enterprise shall register with the local branch of the SAFE at the place of its incorporation within 15 working days after the completion of its overseas initial public offering. The proceeds from overseas listing may be remitted to the domestic account or deposited in an overseas account. The proceeds shall be used in accordance with this prospectus and other disclosure documents.

In accordance with the Decisions on the Cancellation and Adjustment of Various Administrative Approvals (《國務院關於取消和調整一批行政審批項目等事項的決定》) issued by the State Council and took effect from November 24, 2014, the remittance and settlement of foreign exchange from the proceeds raised from the issue of overseas listed shares by a domestic company are no longer subject to approval by the SAFE or its branches.

This appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the operations and business of the Company. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix IV—Taxation and Foreign Exchange" to this prospectus. This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain major differences between PRC and Hong Kong company law, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers.

THE PRC LEGAL SYSTEM

The PRC legal system is composed of the constitution, laws, administrative regulations, local regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomy regulations and special rules of autonomous regions and international treaties of which the PRC government is a signatory. Court judgments do not constitute legally binding precedents, although they may be used for the purpose of judicial reference and guidance. The PRC Constitution (《中華人民共和國憲法》), enacted by the National People's Congress of the PRC (the "NPC"), is the basis of the PRC legal system and has supreme legal authority.

The NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State organizations and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the basic principles of such laws.

Administrative regulations formulated by the State Council according to the constitution and laws

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and requirements of the local administrations, provided that such local regulations shall not be in conflict with the constitution, laws and administrative regulations. The people's congresses of major cities and their respective standing committees may also enact local regulations based on the specific circumstances and requirements of the local administrations, which shall come into effect upon approval of the respective standing committees of the people's congresses of the provinces and autonomous regions, provided that such local regulations shall not be in conflict with the constitution, laws and administrative regulations.

The people's congresses of autonomous regions may enact autonomy regulations and special rules in the light of the local political, economic and cultural characteristics, which shall come into effect upon approval of the Standing Committee of the NPC. The autonomy regulations and special rules may supplement the laws and administrative regulations, provided that the supplements do not contravene the basic principles of the laws and administrative regulations. However, no provisions in constitutions and laws in relation to regional autonomy as well as other special provisions on regional autonomy in other laws and administrative regulations shall be supplemented by autonomy regulations and special rules.

The ministries, commissions, People's Bank of China, Audit Office and institutions with administrative functions directly under the State Council may formulate rules and regulations within their respective jurisdiction based on the laws and the administrative regulations, decisions and orders of the State Council. Departmental rules and regulations shall be formulated for the implementation of the laws and administrative regulations, decisions and orders of the State Council. The people's governments of provinces, autonomous regions, municipalities and major cities may formulate rules and regulations based on the laws, administrative regulations and relevant local regulations.

According to the PRC Constitution, the interpretation of laws shall be vested to the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Regulation of Interpretation of Laws passed on June 10, 1981, interpretation of laws and decrees in court trials and procuratorial works shall be given by the Supreme People's Court and the Supreme People's Procuratorate, respectively. Otherwise, interpretation of laws and decrees shall be given by the State Council and the competent ministries and commissions. If clarification and supplement are required for local regulations, the standing committees of the people's congresses of provinces, autonomous regions and municipalities which enacted such regulations shall have the right to interpret and to formulate supplemental provisions. Interpretation of local regulations shall be given by the competent departments under the people's government of the respective provinces, autonomous regions and municipalities.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution (《中華人民共和國憲法》) and the Law of the PRC on Organization of the People's Courts (《中華人民共和國人民法院組織法》) enacted on July 1, 1979, recently amended on October 31, 2006 and became effective on January 1, 2007, the judicial system of PRC is made up of the Supreme People's Court, local people's courts, courts-martial and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts include civil, criminal and commercial courts. Structure of the intermediate people's courts is similar to that of the basic people's courts except it may have additional courts to handle other issues. The people's courts of lower levels are subject to supervision of the people's courts of higher levels. The Supreme People's Court is the highest judicial organ of the PRC and has the power to supervise the administration of trials by the local people's courts of all levels and all special people's courts. The people's procuratorates also have the right to supervise the trials of people's courts.

The people's courts adopt a "second instance as final" appellate system. Any party to the case may appeal against the judgment and ruling of the first instance by local people's courts to the people's courts of the immediate higher level in accordance with the legal procedures. The people's procuratorate may appeal to the people's court of the immediate higher level in accordance with the legal procedures. In the absence of appeal by any parties to the case or the people's procuratorate within a stipulated period, the judgment and ruling of the first instance by the local people's courts shall be final and legally binding. Judgments and rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and the judgments and rulings of the first instance of the Supreme People's Court shall be the final judgments and rulings. Death penalty shall be reported to the Supreme People's Court for approval unless it is adjudged by the Supreme People's Court.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "Civil Procedure Law") was adopted on April 9, 1991, recently amended on August 31, 2012 and became effective on January 1, 2013. It sets forth the criteria for instituting a civil case, the jurisdiction of the people's courts, the procedures of a civil case and the enforcement of a civil judgment or order. All parties to a civil action in the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the place in which the defendant resides. The parties to a contract may, as explicitly specified in agreement, select a court to hear their civil case, provided that the court shall has the jurisdiction over the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract, the subject of the case or other locations which have substantial connections with the dispute. However, such selection shall not violate the rules of jurisdiction of different levels and exclusive jurisdiction.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may impose the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to observe a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the other party may apply to the people's court to demand enforcement. The right to apply for enforcement may be exercised within two years. If a person fails to observe a judgment of the court within the stipulated time, the court will, upon application by either party, enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not in the PRC and does not own any property in the PRC, may apply to a competent foreign court for recognition and enforcement of the judgment or order. Upon receipt of an application or request for recognition and enforcement of a legally effective judgment or order of a foreign court, the people's court shall recognize the validity of the judgment or order if it considers that it will not contravene the principles of the laws of the PRC nor violates its sovereignty, security or social and public interests after having examined the international treaties entered into or acceded to by the PRC or having considered the principle of reciprocity. A writ of enforcement will be issued in accordance with the relevant regulations. If the judgment or order contravenes the principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognize and enforce it.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

The Company Law (《公司法》) was promulgated on December 29, 1993 by the Standing Committee of the NPC, amended on December 28, 2013 and became effective on March 1, 2014. It regulates the organization and operation of companies and protects the legal rights and interests of companies and their shareholders and creditors. The latest amendment to the Company Law in 2013 has lifted the requirement of minimum registered capital. Paid-up capital requirement was also replaced by subscribed capital requirement.

The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) ("Special Regulations") were promulgated by the Standing Committee of the State Council, and became effective on August 4, 1994. The Special Regulations are formulated according to the Company Law (1993) in respect of the overseas share subscription and listing of joint stock limited companies. The Mandatory Provisions for Inclusion in the Articles of Association of Overseas Listed Companies (《到境外上市公司章程必備條款》) ("Mandatory Provisions") were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association (which are summarized in "Appendix VI—Summary of Articles of Association" to this prospectus). The word "company" in this appendix refers to a joint stock company established to issue H shares under the PRC Company Law.

Copies of the Chinese versions of the PRC Company Law, Special Regulations and Mandatory Provisions together with copies of their unofficial English translations are available for inspection as mentioned in "Appendix VIII—Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus.

Major provisions of the PRC Company Law, Special Regulations and Mandatory Provisions are summarized below:

General

A "joint stock company" (hereinafter referred to as "company") is a legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal nominal value. The liability of its shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the assets owned by it.

The restructuring of a state-owned enterprise into a company must comply with the certain laws and administrative regulations in relation to the modification of operation mechanisms, management system, evaluation of assets and liabilities and the establishment of internal management structure.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by two to 200 promoters and at least half of them must reside in the PRC. Companies incorporated by promotion are companies of which the registered capitals are entirely subscribed for by their promoters. For companies incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of the company unless otherwise stipulated by laws and regulations, and the remaining shares shall be offered to the public or targeted persons, unless otherwise required by laws.

For companies incorporated by promotion, the registered capital has to be the total share capital subscribed for by all promoters as registered with the company registration authority. No capital shall be raised from others before the promoters have paid up the share capital subscribed by them. For companies established by public subscription, the registered capital shall be the total paid-up capital as registered with the company registration authority.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been fully paid up. Notice of the meeting shall be given to all subscribers or published 15 days before the inaugural meeting.

The quorum of the inaugural meeting shall be the shareholders holding shares representing more than 50% of the total issued shares of the company. Matters to be dealt with at the inaugural meeting include the adoption of articles of association proposed by the promoter(s) and the election of members of the board of directors and the supervisory committee of the company. All resolutions shall be passed by a simple majority of the subscribers present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the company registration authority for the establishment of the company. The company shall be formally established and have the status of a legal person when approval for registration is granted and a business license is issued.

Upon establishment, any shortfall of the share capital of a company as determined by its articles of association shall be paid up by the relevant promoters and all promoters shall bear joint and several liabilities. Where the actual value of any non-monetary capital contribution for the establishment of a company is significantly lower than the value required by the articles of association, the promoter of such contribution shall make up the shortfall and all promoters shall bear joint and several liabilities.

Promoter(s) of a company shall have the following liabilities:

They shall bear the joint and several liabilities for all the debts and expenses incurred for the incorporation if the company fails to be incorporated;

They shall bear the joint and several liabilities for refunding the subscription moneys paid by subscribers, plus interest at the prevailing bank deposit rate during the period if the company fails to be incorporated; and

They shall bear the liability to compensate the company if the interests of the company are impaired due to the fault of the promoters in the process of incorporation.

Share Capital

The promoters of a company can make capital contributions in cash or in kind (such as intellectual property rights or land use rights, based on their appraised value) that can be valued in currency and transferable according to laws, except for assets prohibited by laws or administrative regulations to be contributed as capital.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares according to the laws. If a capital contribution is made with non-monetary assets, a valuation and verification of the asset contributed must be carried out without any overvaluation or undervaluation. Where the laws or administrative regulations in place have any other provisions on valuation, such provisions shall prevail.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan and listed overseas are known as overseas listed foreign shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares.

A company may offer its shares to public in foreign countries with approval by the securities administration department of the State Council subject to special requirement of the State Council. Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign shares, to retain not more than 15% of the aggregate number of overseas listed foreign shares proposed to be issued after accounting for the number of underwritten shares.

The issuance of shares shall be conducted in a fair and equitable manner. Shares of the same class shall rank pari passu in all respects and shall be issued on the same conditions and at the same price. Every individual and corporate subscriber shall pay the same price for each share. A shares may be issued at a price equal to or higher than but not less than the par value. A joint stock limited company may issue registered or bearer shares.

Transfer of shares shall be conducted through recognized stock exchange or other methods approved by the State Council. Transfer of registered shares shall be made by endorsement or by other means stipulated by laws or administrative regulations. Bearer shares are transferred by delivery of the share certificates.

Shares held by a promoter of a company shall not be transferred within one year after the incorporation of the company. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer more than 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by them within one year after the listing. There is no restriction under the PRC Company Law as to the percentage of shareholding of a shareholder in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date for distribution of dividends.

Increase in Capital

Under the PRC Company Law, an increase in the capital of a company by issuing new shares must be approved by shareholders in general meeting.

Save for the above-mentioned shareholder approval requirement, for a public offering of new shares, the Securities Law provides that the company shall: (i) have a sound organizational structure with satisfactory operating records; (ii) have sustainable profitability and a healthy financial position; (iii) have no false statements and other material non-compliance in the financial and accounting documents of last three years; (iv) fulfill other conditions required by the securities administration department of the State Council.

Public offer requires the approval of the securities administration department of the State Council.

After payment in full for the new shares issued, a company must change its registration with the company registration authority and issue an announcement accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and an inventory of assets;

(ii) the reduction of registered capital must be approved by shareholders in general meeting;

(iii) the company shall inform its creditors of the reduction in registered capital within ten days and publish newspaper announcement within 30 days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may, within the statutory prescribed period, demand the company to pay its debts or to provide guarantees for the debts. The creditors of the company may demand the company to pay its debts or to provide guarantees for the debts within 30 days upon receipt of the notice or (if no notice is received) within 45 days from the date of the announcement; and

(v) the company must apply to the company registration authority for registration of the reduction in registered capital.

Repurchase of Shares

A company may not purchase its own shares other than for the purpose of:

(i) reducing its registered capital

(ii) merging with another company holding its shares;

(iii) granting shares as a reward to its staff;

(iv) purchasing the shares as requested by shareholders who vote against the resolution regarding the merger or division of the company at shareholders' general meeting.

Where the company purchases its own shares for the purposes referred to in (i) to (iii) above, it shall obtain approval of shareholders' general meeting. Following acquisition as aforementioned, the shares shall be canceled within ten days from acquisition under the circumstance referred to in (i) and transferred or canceled within six months under the circumstances referred to in (ii) and (iv) above.

Shares acquired by the company for the purpose referred to in (iii) shall not exceed 5% of the total number of shares of the company in issue. Such acquisition shall be financed by funds from the profit after tax of the company. The shares so acquired shall be transferred to the employees within one year.

The company shall not accept its own shares as the subject of a pledge.

Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations.

Registered shares may be transferred by endorsement or by other means specified by the laws or administrative regulations. Following the transfer, the company shall enter the name and address of the transferee into the share register. No changes of registration in the share register shall be effected during a period of 20 days prior to the shareholders' general meeting or five days prior to the record date for dividend distribution.

The transfer of bearer share shall be effected by delivery of the share certificate.

Shares held by a promoter may not be transferred within one year from the establishment of a company. Directors, supervisors and senior management of a company shall report to the company their shareholdings in the company and changes thereof and shall not transfer more than 25% of the total number of shares they held in the company during their terms of office. They shall not transfer the shares of the company held by them within six months from the date they leave the company. The articles of association may have other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and senior management.

Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of the company. The articles of association of a company are binding on each shareholder. Under the PRC Company Law and the Mandatory Provisions, the rights of a shareholder include:

(i) to attend shareholders' general meetings in person or by proxy, and to vote in respect of the number of shares held;

(ii) to transfer shares in accordance with applicable laws and regulations and the articles of association of the company;

(iii) to inspect the company's articles of association, shareholders' registers, records of debentures, minutes of shareholders' general meetings, board resolutions, supervisors resolutions, financial and accounting reports and to put forward proposals or raise questions about the operations of the company;

(iv) to lodge an action in the people's court if any directors or senior management damages the shareholder's interests by violating laws or administrative regulations or articles of association of the company;

(v) to receive dividends and other distributions in respect of the number of shares held;

(vi) to receive surplus assets of the company upon its termination in proportion to his or her shareholding; to claim against other shareholders for damages caused by abuse or shareholders' rights; and

(vii) to exercise any other shareholders' rights specified in the articles of association of the company.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the subscription monies agreed to be paid in respect of the shares taken up by him/her, not to abuse shareholders' right to damage the interests of the company or other shareholders of the company, not to abuse the independent status of the company as a legal person and the limited liability to damage the interests of the creditors of the company and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meeting

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

The shareholders' general meeting exercises the following principal powers:

(i) to decide on the company's operation policies and investment plans;

(ii) to elect or replace the directors, supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;

(iii) to consider and approve reports of the board of directors;

(iv) to consider and approve reports of the supervisory committee;

(v) to consider and approve the company's annual financial budget and financial accounts;

(vi) to consider and approve the company's profit distribution and recovery of losses;

(vii) to decide on the increase and reduction in the company's registered capital;

(viii) to decide on the issue of bonds by the company;

(ix) to decide on merger, division, dissolution, liquidation or change of organization and other matters of the company;

(x) to decide on the appointment and dismissal of accounting firm;

(xi) to amend the articles of association of the company; and

(xii) to exercise other powers specified in the articles of association of the company.

A shareholders' general meeting shall be held once every year. An extraordinary shareholders' general meeting shall be held within two months after the occurrence of any of the following:

(i) the number of directors is less than the number specified in the Company Law or less than two-thirds of the number specified in the company's articles of association;

(ii) the uncovered losses of the company reach one-third of the company's total paid up share capital; a request by a shareholder that holds, or by shareholders that hold in aggregate, 10% or more of the company's shares;

(iii) when deemed necessary by the board of directors;

(iv) when proposed by the supervisory committee; or

(v) under other circumstances specified by the company's articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. If the chairman fails to perform his/her duties, the meeting shall be presided over by the vice chairman. If the vice chairman fails to perform his/her duties, a director nominated by more than half of the directors shall preside over the meeting. If the board of directors fails to perform its duties to convene' general meeting, the supervisory committee shall convene and preside over the meeting in a timely manner. If the supervisory committee fails to convene and preside over the meeting, shareholders holding in aggregate more than 10% of the total shares of the company for ninety consecutive days may unilaterally convene and preside over such meeting.

Notice of the shareholders' general meeting shall be given to all shareholders 20 days before the meeting under the Company Law and 45 days before the meeting under the Special Regulations and the Mandatory Provisions, stating the matters to be considered at the meeting. In accordance with the Special Regulations and the Mandatory Provisions, shareholders who intend to attend shall give written confirmation of their attendance to the company 20 days prior to the meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, but the company shall have no voting right for any of the shares owned by itself.

Resolutions proposed at the shareholders' general meeting shall be approved by shareholders present at the meeting (in person or by proxy) with more than half of the voting rights, except for matters relating to merger, division, dissolution, increase or reduction in registered capital, change in the form of the company or amendments to the articles of association which shall be approved by shareholders present at the meeting (in person or by proxy) with two-thirds or more of the voting rights.

Shareholders may entrust a proxy to attend shareholders' general meetings on his or her behalf by a power of attorney which sets forth the scope of the exercise of voting rights.

There is no specific provision in the Company Law regarding the quorum for a shareholders' general meeting. However, the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened if shareholders holding shares representing 50% or more of the voting rights in the company have replied to attend 20 days before the proposed date of meeting. Otherwise, the company shall, within five days after the last day for receipt of the replies, notify shareholders by public announcement of the matters to be considered at the meeting and the date and place of the meeting. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the rights of a class share. Holders of domestic shares and holders of overseas listed foreign shares are deemed to be different classes of shareholders for this purpose.

Holders of bearer shares who intend to attend the shareholders' general meeting shall deposit their share certificates with the company five days before the meeting. The share certificates shall remain in the custody of the company until the close of the shareholders' general meeting.

Directors

A company shall have a board of directors, which shall consist of five to 19 members, including staff representatives of the company. Under the Company Law, term of office of each director shall not exceed three years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. The board of directors may determine the method and period of notice for convening an extraordinary meeting of the board of directors.

Under the Company Law, the board of directors exercises the following powers:

(i) to convene the shareholders' general meeting and report its work to the shareholders;

(ii) to implement the resolution of the shareholders' general meeting;

(iii) to decide on the company's business plans and investment plans;

(iv) to formulate the company's annual financial budget and final accounts;

(v) to formulate the company's proposals for profit distribution and recovery of losses;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to prepare plans for the merger, division, dissolution or change of the form of the company;

(viii) to decide on the company's management structure;

(ix) to appoint or dismiss the company's president, and to appoint or dismiss vice presidents and financial officers of the company based on the president's recommendation, and to decide on their remuneration;

(x) to formulate the company's basic management system; and

(xi) to exercise any other power authorized by the articles of association of the company.

In addition, the Mandatory Provisions provide that the board of directors shall also be responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he/she may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his/her behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association resulting in serious losses of the company, the directors participating in the resolution shall be liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not serve as director of a company:

(i) persons without civil capacity or with restricted civil capacity;

(ii) persons who have committed the offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;

(iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated due to mismanagement and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked or operation terminated due to violation of laws and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license;

(v) persons who have a relatively large amount of debt due and outstanding; and

(vi) other persons who are disqualified from acting as director of a company under the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in "Appendix VI—Summary of Articles of Association" to this prospectus).

The board of directors shall appoint a chairman, who shall be elected by more than half of all directors. The chairman of the board of directors exercises, among others, the following powers:

(i) to preside over shareholders' general meetings and convene and preside over meetings of the board of directors; and

(ii) to monitor the implementation of the resolutions of the board of directors.

The legal representative of a company shall be its chairman in accordance with the Mandatory Provisions. The Special Regulations provide that a company's directors, supervisors, managers and other senior management bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in "Appendix VI—Summary of Articles of Association" to this prospectus) contain further elaborations of such duties.

Directors shall be accountable to the resolutions of the board of directors. If a resolution of the board of directors violates the laws, administrative regulations or the articles of association of the company, and as a result of which the company sustains serious losses, the directors participating in such resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be relieved from that liability.

Supervisors

A company shall have a supervisory committee composed of not less than three members. The term of office of each supervisor shall be three years, which may be renewed subject to re-election. If the number of supervisors falls below the required number as the result of the resignation of a supervisor during his/her term of office and no supervisor is elected for replacement in a timely manner, the resigning supervisor shall continue to perform his/her duties in accordance with the laws, administrative regulations and articles of association until a supervisor is elected for replacement. The supervisory committee shall be made up of shareholders representatives and an appropriate proportion of the company's staff representatives. The number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

The supervisory committee is empowered by the Company Law to perform the following duties:

(i) to examine the company's financial affairs;

(ii) to supervise the performance of the directors and senior management and to propose the removal of any director or senior management who violates the laws, regulations, articles of association or shareholders' resolution;

(iii) to demand remedies for acts of any director or senior management which are detrimental to the company's interests;

(iv) to propose the convening of extraordinary shareholders' general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding shareholders' general meetings, to convene and preside over shareholders' general meetings;

(v) to make proposal to shareholders' general meetings;

(vi) to bring action against any directors or senior management; and

(vii) to perform other duties specified in the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above shall apply mutates mutandis to supervisors of a company.

The Special Regulations provide that the directors and supervisors of a company shall have fiduciary duties. They are required to faithfully perform their duties, protect the interest of the company and not to use their positions for their own benefit.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee or (where there is no supervisory committee) the supervisors of a company may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work. All expenses incurred by the supervisory committee in exercising their power shall be borne by the company.

Meetings of the supervisory committee shall be convened at least once every six months. Interim meetings of the supervisory committee may be convened by supervisors. Resolutions of the supervisory committee require the approval of more than half of all supervisors in accordance with the Company Law. However, in accordance with the Circular Regarding Comments on the Amendments to Articles of Association of Companies Listed in Hong Kong issued by the CSRC on April 3, 1995, resolutions of the supervisory committee require the approval of more than two-thirds of all supervisors. Each supervisor shall have one vote for resolutions to be approved by the supervisory committee. Minutes shall be prepared in respect of matters considered at the meeting of the supervisory committee and supervisors attending the meeting shall sign to endorse such minutes.

The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee are elected with approval of more than half of all supervisors. The chairman of the supervisory committee shall convene and preside over supervisory committee meetings. If the chairman of the supervisory committee fails to perform his/her duties, the vice chairman of the supervisory committee shall convene and preside over supervisory committee meetings. In the event that the vice chairman of the supervisory committee is incapable of performing or not performing his/her duties, a supervisor nominated by more than half of supervisors shall convene and preside over supervisory committee meetings.

Managers and other Senior Management

Senior management shall include the manager(s), deputy manager(s), financial controller, secretaries to the board of directors and other personnel as stipulated in the articles of association.

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and shall perform the following duties:

(i) to be n charge of the production, operation and management of the company and to arrange for the implementation of resolutions of the board of directors;

(ii) to arrange for the implementation of annual business and investment plans of the company;

(iii) to formulate plans for the establishment of the internal management structure of the company;

(iv) to formulate the basic administration system of the company;

(v) to formulate the internal rules of the company;

(vi) to recommend the appointment and dismissal of deputy managers and financial officers and to appoint or dismiss other senior management (other than those required to be appointed or dismissed by the board of directors);

(vii) to attend the meetings of the board of directors as a non-voting attendant; and

(viii) to perform other duties assigned by the board of directors or the articles of association of the company.

The Special Regulations and the Mandatory Provisions provide that the other senior management of a company includes the financial officer, secretary to the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company described above shall apply mutatis mutandis to managers and senior management of the company.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and institute legal proceedings according to the articles of association of the company. The provisions under the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association, a summary of which is set out in "Appendix VI—Summary of Articles of Association" to this prospectus.

Duties of Directors, Supervisors and Senior Management

The following persons are prohibited from acting as a director, supervisor or senior management of a company:

(i) persons without civil capacity or with restricted civil capacity;

(ii) persons who have committed the offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;

(iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of laws and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license; and

(v) persons who have a relatively large amount of debts due and outstanding.

A director, supervisor and senior management of a company are required by the PRC Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. They are also prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the properties of the company. Directors and senior management are prohibited from:

(i) misappropriating company funds;

(ii) depositing company funds into accounts under their own name or the name of other individuals;

(iii) lending company funds to others or providing company properties as guarantees in favor of others in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(iv) entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

(vi) accepting commissions from other parties in transactions with the company for their own benefit;

(vii) disclosing confidential information of the company without approval; or

(viii) doing other acts in violation of their duty of loyalty to the company.

A director, supervisor and senior management of a company is also under a duty of confidentiality to the company.

A director, supervisor and senior management who contravenes any law, regulation or the articles of association of the company in the performance of his/her duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor and senior management of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

Where the attendance of a director, supervisor, and senior management is requested by the shareholders' general meeting, such director, supervisor, and senior management shall attend the meeting as requested and answer enquiries of shareholders. Directors and senior management shall furnish with all facts and information to the supervisory committee without obstructing the discharge of duties by the supervisory committee.

A company shall not directly, or through its subsidiary, provide loans to any director, supervisor or senior management and shall regularly disclose to the shareholders any information regarding remunerations received by the directors, supervisors or senior management of the company.

Finance and Accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the provisions of the supervisory department of the State Council and shall prepare a financial report at the end of each financial year, which shall be audited and verified in accordance with by laws.

A company shall maintain its financial statements at the company for inspection by shareholders at least 20 days before the convening of the annual general meeting. A company incorporated by public subscription must publish its financial statements.

The common reserve of a company comprises the statutory surplus reserve, the discretionary common reserve and the capital common reserve.

When distributing after-tax profits, the company shall set aside 10% of its after-tax profits for the year for its statutory surplus reserve (unless the reserve has reached 50% of the company's registered capital). After making an allocation to its statutory common reserve from its after-tax profits, the company may make an allocation to a discretionary common reserve subject to a resolution of the shareholders' general meeting.

When the statutory surplus reserve of a company is not sufficient to make up its losses of previous years, profits for the current year shall be used to make up the losses before allocations to the statutory surplus reserve.

After the company has made up its losses and make allocations to its statutory surplus reserve, the remaining profits could be available for distribution to shareholders in proportion to the number of shares held by them, except as otherwise provided in the articles of association of such joint stock company.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of the company on issue and other amounts required by the relevant government authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

(i) to make up losses of the company other than the capital common reserve;

(ii) to expand the business operations of the company; and

(iii) to increase the registered capital of the company by issuing new shares to shareholders in proportion to their existing shareholdings in the company or by increasing the nominal value of the shares currently held by the shareholders. If the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. The assets of the company shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Auditors

The Special Regulations require a company to engage an independent PRC qualified accounting firm to audit the annual report and to review and check other financial reports of the company.

The term of office of the auditor shall commence from the close of an annual general meeting and expire at the close of the next annual general meeting.

In accordance with the articles of association of the company, the shareholders' general meeting or the board of directors shall determine the appointment and dismissal of accountants who are responsible for the company's auditing issues. The accountant shall be allowed to make representations when the shareholders' meeting, the shareholders' general meeting or board of directors of the company is going to conduct a poll on the dismissal of the accountant. The company shall provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accountant without refusal, concealing and false information. The term of office of the accountant shall commence from the close of an annual general meeting and expire at the close of the next annual general meeting of the company.

If a company removes or does not re-appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations at shareholders' general meeting. The appointment, removal or retirement of auditors shall be decided by shareholders in general meetings and shall be filed with the CSRC.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

Distribution of Profits

The Company Law provides that a company is restricted from distributing profits before losses have been made up and allocation to statutory common reserve has been made. The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign shares shall be declared in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to Articles of Association

Any amendments to the company's articles of association shall be made in accordance with the procedures set forth in the company's articles of association. Any amendment to the articles of association in connection with the Mandatory Provisions shall only be effective after approval by the companies' approval department under the State Council and the CSRC. If the amendment relates to the registration of the company, the company shall modify its registration with the company registration authority.

Dissolution and Liquidation

Under the Company Law, a company shall be dissolved in any of the following events:

(i) the term of operations set out in the articles of association of the company has expired or events of dissolution specified in its articles of association have occurred;

(ii) the shareholders resolve to dissolve the company at general meeting;

(iii) the company is dissolved as a result of merger or demerger;

(iv) the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or

(v) in the event that the company encounters difficulties in its operation and management and its continuance shall cause a significant loss to the interest of its shareholders, and where such circumstance cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee shall be formed within 15 days after the occurrence of the cause of dissolution so as to carry out liquidation. Members of the liquidation committee shall be composed of the directors or people determined by the shareholders' general meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors may apply to the people's court for its establishment.

The liquidation committee shall notify the creditors of the company within ten days, and issue newspaper announcement within 60 days after its establishment. A creditor may lodge his/her claim with the liquidation committee within 30 days after receiving notification or within 45 days since the date of the announcement if he/she does not receive any notification. The liquidation committee shall exercise the following powers during the liquidation period:

(i) to dispose of the company's assets and to prepare a balance sheet and an inventory of the assets;

(ii) to notify creditors or issue announcements;

(iii) to deal with and settle any outstanding business of relevant company;

(iv) to pay any outstanding tax;

(v) to settle the creditor's rights and liabilities of the company;

(vi) to handle the surplus assets of the company after settlement of debts; and

(vii) to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be used for the payment of the liquidation expenses, wages and labor insurance expenses, outstanding tax and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to their shareholdings.

During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee is aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy according to the laws. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for approval. Thereafter, the report shall be submitted to the registration authority of the company for cancellation of registration. An announcement on termination shall also be issued.

Members of the liquidation committee shall discharge their duties honestly and in compliance with relevant laws. A member of liquidation committee shall be liable to indemnify the company and its creditors in respect of any loss arising from his/her willful or material default.

Loss of Share Certificates

A shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court in the event that registered share certificates are stolen or lost, for a declaration of invalidation of such certificates. After the declaration, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for special procedures for the loss of H share certificates. The procedures are incorporated in the Articles of Association and a summary of which is set out in "Appendix VI—Summary of Articles of Association."

Merger and Demerger

Companies may merge through absorption or the establishment of a new entity. If it merges by absorption, the company which is absorbed shall be dissolved. If the companies merge by forming a new corporation, the companies shall be dissolved.

For corporate merger, all parties to the merger shall enter into an agreement and prepare balance sheets and checklists of assets. The companies involved shall, within ten days after the decision of merger, notify the creditors, and shall make newspaper announcement within 30 days. The creditors may, within 30 days after the receipt of the notice or (if it fails to receive a notice) within 45 days after the announcement, require the company to settle its debts or to provide guarantees. After the merger, the credits and debts of the companies involved shall be succeeded by the surviving company or by the newly established company.

For division of a company, the properties of the company shall be divided properly, and balance sheets and checklists of assets shall be prepared. The company shall, within ten days after the decision of division, notify the creditors and make newspaper announcement within 30 days. The companies after division shall jointly bear liabilities for the debts of the former companies before division, unless it is otherwise prescribed by written agreements entered into between the companies and their respective creditors for the settlement of debts before the division.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations in relation to the issue and trading of shares and disclosure of information. In October 1992, the Securities Committee and the CSRC were established by the State Council. The Securities Committee was responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC was the regulatory body of the Securities Committee and responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In 1998, the State Council dissolved the Securities Committee and assigned its functions to the CSRC. The CSRC is also responsible for the regulation and supervision of all stocks and futures market in China according to laws, regulations and authorizations.

The PRC Securities Law took effect on July 1, 1999 and was recently revised on August 31, 2014. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, as well as the duties and responsibilities of the securities exchanges, securities companies and the securities regulatory authorities under the State Council. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that a PRC company must obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC. Article 239 of the Securities Law provides that specific provisions in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Regulation on Anti-money Laundering

The Anti-money Laundering Law of the PRC (《中華人民共和國反洗錢法》) became effective on January 1, 2007. It provides for the anti-money laundering duties of the relevant financial regulatory authorities, including the monitoring of money flow, formulation of rules and regulations on anti-money laundering of financial institutions, supervision and examination of the fulfillment of anti-money laundering obligations by financial institutions and investigation of suspicious transactions. Heads of financial institutions shall be responsible for the effective implementation of anti-money laundering internal control system. A financial institution shall establish a client identification system and a system for keeping clients' identity information and transaction record, and report major transactions and doubtful transactions according to applicable requirements.

According to the Provisions of Anti-money Laundering of Financial Institutions (《金融機構反洗錢規定》) which was enacted by the PBOC and came into effect on January 1, 2007, financial institutions and their branches shall establish comprehensive anti-money laundering internal control systems, an anti-money laundering department or designated internal department responsible for anti-money laundering pursuant to applicable laws. Anti-money laundering internal procedures and control measures shall be formulated. Specific training shall be provided to the staff in order to strengthen the anti-money laundering works.

According to the Measures on Administration of Identification of Clients and Preservation of Client Identities Information and Trading Records of Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》) which was jointly enacted by the PBOC, the CBRC, the CSRC and the CIRC and came into effect on August 1, 2007, financial institutions shall establish client identification systems, and shall record the identities of all clients and the information about each of the transactions, and shall preserve the retail trading documents and books.

According to the Administrative Measures for the Financial Institutions' Report of Large-sum Transactions and Doubtful Transactions (《金融機構大額交易和可疑交易報告管理辦法》) which was enacted by the PBOC and came into effect on March 1, 2007, the headquarters of financial institutions or their department shall provide electronic reports to the China Anti-money Laundering Monitoring and Analysis Centre on all major transactions and doubtful transactions.

The CSRC also formulated the Implementing Rules of Anti-money Laundering for Securities and Futures Industry (《證券期貨業反洗錢工作實施辦法》) which took effect from October 1, 2010 and provides additional anti-money laundering rules for securities and futures industry, and the anti-money laundering liabilities for funds retailing activities, and the requirement of anti-money laundering internal control system for securities and futures institutions.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with the procedures specified by the State Council.

According to the Special Regulations, if the plans of a company to issue overseas listed foreign shares and domestic invested shares have been approved by the securities regulatory authority of the State Council, they may be separately implemented by the board of directors, within 15 months from approval of the CSRC.

Suspension and Termination of Listing

The PRC Company Law's provisions on suspension and termination of listing have been removed. The following amendments have been made according to the PRC Securities Law:

In any of the following circumstances, the stock exchange may suspend the listing of the relevant stock:

(i) the total share capital or shareholding structure of the company changes, resulting in the non-compliance of listing requirements;

(ii) the company fails to disclose its financial status in accordance with the relevant provisions, or includes any false information in its financial statements that may mislead investors;

(iii) activity of the company seriously violates the laws;

(iv) the company has been operating at loss for the last three consecutive years; or

(v) any other circumstances prescribed in the listing rules of the relevant stock exchange.

According to the PRC Securities Law, the relevant stock exchange shall terminate the listing of the relevant stock where the company fails to meet listing requirements within the period allowed by the stock exchange under the circumstance referred in (i) above or refuses to take any remedial measures under the circumstance referred in (ii) above or fails to make profit in the following year under the circumstance referred in (iv) above.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國的仲裁法》) (the "Arbitration Law") was passed by the Standing Committee of the NPC on August 31, 1994 and was recently revised on August 27, 2009 with immediate effect. It is applicable to contract disputes and other property disputes between natural persons, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law for arbitration. Under the Arbitration Law, an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate provisional arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court shall refuse to handle the case.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the Articles of Association and, in the case of the Hong Kong Listing Rules, also in contracts with each of the directors and supervisors, to the effect that whenever any disputes or claims arise between holders of the H Shares and us; holders of the H Shares and the directors, supervisors or senior management; or among each shareholder, in respect of any disputes or claims in relation to our affairs or as a result of any rights or obligations arising under the Articles of Association, the Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if they are our shareholders, directors, supervisors, senior management, shall be subject to the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to our register of shareholders need not be resolved by arbitration.

A claimant may choose for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Centre ("HKIAC") in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant chooses for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award shall be final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration tribunal if there is any procedural or membership irregularity specified by laws or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration tribunal.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not in the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》) (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC to the New York Convention that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity, and (ii) the PRC will only apply the New York Convention in disputes arising from contractual and non-contractual mercantile legal relations according to the PRC laws.

In June 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, awards made by PRC arbitration bodies pursuant to the Arbitration Law can be enforced in Hong Kong. Hong Kong arbitral awards made pursuant to the Arbitration Ordinance of Hong Kong are also enforceable in the PRC.

RULES AND REGULATIONS ON ESTABLISHMENT OF OVERSEAS OPERATIONS

According to the Provisions for Overseas Investment Management (《境外投資管理辦法》) which was promulgated by the MOFCOM and became effective on October 6, 2014, and the Provisions on the Foreign Exchange Administration of Overseas Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) which was issued by the SAFE and became effective on August 1, 2009, upon obtaining approval from the MOFCOM to establish enterprises overseas, PRC enterprises may apply for foreign exchange registration for overseas investments.

According to the Administrative Measures for Approval and Filing of Overseas Investment Projects (《境外投資項目核准和備案管理辦法》) promulgated by the NDRC on May 8, 2014 and amended on December 27, 2014 with immediate effect, overseas investment projects conducted by the PRC enterprises through new establishment, merger, equity participation, capital increase and injection as well as those carried out by their overseas enterprises or institutions through provision of funds or guarantees shall be approved by or filed with the NDRC based on the actual conditions of the overseas investment projects.

According to the PRC Securities Law (《中華人民共和國證券法》) amended and effective on June 29, 2013 and the Regulations on Supervision and Management of Securities Companies (《證券公司監督管理條例》) amended and became effective on July 29, 2014, the establishment, acquisition of or equity participation in securities institutions by securities companies in the PRC shall be subject to approval by the CSRC.

According to the Measures for Administration of Futures Companies (《期貨公司監督管理辦法》) promulgated and became effective on October 29, 2014, the establishment, acquisition of or equity participation in overseas futures institutions by futures companies in the PRC shall be in compliance with the relevant conditions and subject to approval from the CSRC.

According to the Regulations on the Establishment of Institutions in Hong Kong by Securities Investment Fund Management Companies Issued by the China Securities Regulatory Commission (《中國證券監督管理委員會關於證券投資基金管理公司在香港設立機構的規定》) which was promulgated and became effective on April 8, 2008, the establishment of institutions or equity participation in assets management institutions in Hong Kong, establishment of institutions and equity participation in assets management institutions in other countries which have entered into regulatory cooperation memorandum with the CSRC by securities investment fund management companies in the PRC are subject to approval from the CSRC.

MATERIAL DIFFERENCES BETWEEN CERTAIN COMPANY LAW MATTERS IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and supplemented by common law and rules of equity that apply to Hong Kong. There are material differences between Hong Kong company law and the PRC law applicable to a joint stock limited liability company incorporated under the PRC Company Law, to which we are and will be subject. This summary is, however, not intended to be an exhaustive comparison.

CORPORATE EXISTENCE

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

SHARE CAPITAL

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our general meeting and the relevant PRC governmental and regulatory authorities.

Under the Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or nonmonetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

RESTRICTIONS ON SHAREHOLDING AND TRANSFER OF SHARES

Under PRC law, our A Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on Controlling Shareholders' disposal of shares.

FINANCIAL ASSISTANCE FOR ACQUISITION OF SHARES

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

SHAREHOLDER MEETINGS—NOTICE

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders, and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting. For a limited company incorporated in Hong Kong, the minimum period of notice of a general meeting, where convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The notice period for an annual general meeting is 21 days.

SHAREHOLDER MEETINGS—QUORUM

Under Hong Kong law, the quorum for a meeting of a company is provided for in the articles of association of a company, but must be at least two members. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that our general meeting may be convened when replies to the notice of that meeting have been received from shareholders whose shares represent 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, we must within five days notify our shareholders by way of a public announcement and we may hold the shareholders' general meeting thereafter.

SHAREHOLDER MEETINGS—VOTING

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting.

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' general meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

VARIATION OF CLASS RIGHTS

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix VI.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the Company or (iv) if there are provisions in the Articles of Association relating to the variation of those rights, then in accordance with those provisions.

As required by the Hong Kong Listing Rules and the Mandatory Provisions, we have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the Articles of Association as different classes. The special procedures for voting by a class of shareholders shall not apply in the following circumstances: (i) where we issue and allot, either separately or concurrently in any 12-month period, pursuant to a Shareholders' special resolution, not more than 20% of each of the existing issued overseas listed shares and the domestic listed shares; (ii) where the plan for the issue of domestic listed shares and overseas listed shares upon our establishment is implemented within 15 months following the date of approval by the CSRC; and (iii) where the transfer of shares from the holders of domestic listed shares to foreign investors upon receiving the approval of the State Council Securities regulatory authority and other approving authority (if applicable) and then listing and transacting in the overseas stock exchange.

DERIVATIVE ACTION BY MINORITY SHAREHOLDERS

Hong Kong law permits minority shareholders to start a derivative action on behalf of the company against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing the company from suing the directors in breach of their duties in its own name.

Although the PRC Company Law gives our Shareholders the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by our shareholders in a general meeting, or by the Board of Directors, that violates any law, administrative rules or Articles of Association or if the Directors or management personnel violate laws, administrative rules or articles of association when performing their duties and cause losses to the company, there is no form of proceedings equal to a derivative action. The Mandatory Provisions, however, provide us with certain remedies against the Directors, Supervisors and officers who breach their duties to us. In addition, as a condition to the listing of our H shares on the Hong Kong Stock Exchange and in accordance with our Articles of Association, each of our Directors and Supervisors is required to give an undertaking in favors of us acting as agent for each of our Shareholders. This allows minority shareholders to act against our Directors and Supervisors in default.

MINORITY SHAREHOLDER PROTECTION

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a director or supervisor of our assets or the individual rights of other shareholders.

DIRECTORS

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

BOARD OF SUPERVISORS

Under the PRC Company Law, a joint stock limited company's directors and managers are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

FIDUCIARY DUTIES

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Special Regulations, directors, supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

FINANCIAL DISCLOSURE

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

INFORMATION ON DIRECTORS AND SHAREHOLDERS

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

RECEIVING AGENT

Under both PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

CORPORATE REORGANIZATION

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

MANDATORY TRANSFERS

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

ARBITRATION OF DISPUTES

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior officers may be resolved through the courts. The Mandatory Provisions and our Articles of Association provide that disputes between a holder of H shares and the Company and its directors, supervisors, managers or other members of senior management or a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the Hong Kong International Arbitration Center ("HKIAC") or the China International Economic and Trade Arbitration Commission. Such arbitration is final and conclusive.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

REMEDIES OF THE COMPANY

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

DIVIDENDS

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

CLOSURE OF REGISTER OF SHAREHOLDERS

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the PRC Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a general meeting or within five days before the base date set for the purpose of distribution of dividends.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG LISTING RULES AND SHANGHAI LISTING RULES

As our A Shares are listed on the Shanghai Stock Exchange, we are also subject to Rules Governing the Listing on the Shanghai Stock Exchange ("Shanghai Listing Rules"). Set out below is a summary of material differences between Hong Kong Listing Rules and Shanghai Listing Rules:

- Periodic financial reporting

  There are material differences in financial reporting standards and practices regarding, for examples, industry-specific financial reporting requirements, announcement of preliminary results, form and content of periodic financial reports and post-vetting of periodic financial reports.

- Classification and disclosure requirements for notifiable transactions

  The method of classification of notifiable transactions under Hong Kong Listing Rules and the disclosure requirement pertaining to such transactions differ from those under the Shanghai Listing Rules.

- Connected transactions

  The definition of a connected person under the Hong Kong Listing Rules and the definition of a related party under the Shanghai Listing Rules are different. In addition, the disclosure and shareholder approval requirements for connected transactions under the Hong Kong Listing Rules and for related party transactions under the Shanghai Listing Rules, as well as the respective exemptions are different.

- Disclosure of inside information

  The scope, timing and method of disclosure of inside information are different between Hong Kong Listing Rules and Shanghai Listing Rules.

Set out below is a summary of the articles of association, the principal objective of which is to provide potential investors with an overview of the articles of association. As this appendix is a summary, it may not contain all the information that is important to potential investors.

SCOPE OF BUSINESS

The business scope of the Company is: securities brokerage; proprietary trading of securities; securities underwriting (only included underwriting of government bonds, debt financing instruments of non-financial enterprises and financial bonds (including policy-bank bonds)); securities investment consulting; securities asset management; intermediary introduction business for futures company; margin financing and securities lending business; agency sale of financial products; agency sale of securities investment fund; custodian for securities investment fund; and other business approved by CSRC.

Subject to the approval of CSRC, the Company may establish non-wholly owned or wholly-owned subsidiaries for the operation of securities underwriting and sponsorship, securities asset management or other business. The Company may also establish non-wholly owned or wholly-owned subsidiaries for the operation of direct investment, financial products or other investment business in accordance with the relevant requirements of CSRC.

SHARES

Shares and Registered Capital

The stock of the Company shall take the form of shares. The Company shall have common shares at all times. With the approval of the department authorized by the State Council, the Company may have other forms of shares when needed. Shareholders of different classes of the Company shall rank pari passu over dividends or any other forms of distribution.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall have the same rights. All shares of the same class issued at the same time shall be issued under the same conditions and at the same price, and every share purchased by any entity or individual shall be at the same price.

Upon approval by the securities regulatory authority of the State Council or other relevant regulatory authority, the Company may offer its shares to both domestic and foreign investors. The Board of the Company may make arrangement for separate issue of shares according to the proposals for issue of overseas-listed foreign shares and domestic shares upon approval by the securities regulatory authority of the State Council. If the Company separately issues overseas-listed foreign shares and domestic shares within the total number specified in the issue scheme, the said shares shall be issued respectively at one time. If it is impossible for the shares to be issued at one time for special reasons, the shares may be issued by several batches upon approval by the securities regulatory authority of the State Council.

Share Transfer

Unless otherwise specified by the laws and administrative regulations of the PRC and relevant provisions of the securities regulatory authority at the location where the Company's shares are listed, shares of the Company may be transferred freely and without any liens. Transfer of overseas-listed foreign shares listed in Hong Kong shall be registered with the share registry in Hong Kong appointed by the Company.

The Company shall not accept its own shares as pledge object.

The shares of the Company held by the promoters shall not be transferred within one year after incorporation of the Company. Shares issued by the Company before public offering shall not be transferred within one year after the shares of the Company are listed on the stock exchange. The directors, supervisors and senior management of the Company shall report to the Company about their shareholdings and changes thereof and shall not transfer more than 25% of their shares per annum during their terms of office (except for changes of shares due to judicial enforcement, inheritance, bequest, properties division according to laws). Shares of the Company held by them shall not be transferred within one year after the shares of the Company are listed and within six months after they terminate service with the Company.

If the directors, supervisors, senior management of the Company and shareholders holding more than 5% shares of the Company sell shares within 6 months after buying the same or buy shares within six months after selling the same, the gains arising therefrom shall belong to the Company and the Board of the Company will recover the said gains. However, the 6-month restriction shall not apply to a securities company which holds 5% or more of the Company's shares as a result of its underwriting of the untaken shares in an offer.

The Company or its subsidiaries shall not at any time or in any form provide any financial assistance to purchasers or potential purchasers of the Company's shares for the purpose of the purchase or potential purchase of the Company's shares. The aforesaid purchasers include persons directly or indirectly undertaking obligations because of the purchase of the Company's shares.

The Company or its subsidiaries shall not at any time or in any form provide any financial assistance to the aforesaid obligors for the purpose of reducing or discharging their obligations for the purchase or potential purchase of the Company's shares unless in the following circumstances:

- the Company provides the relevant financial assistance in the interest of the Company in good faith, and the main purpose of the said financial assistance is not to purchase the Company's shares, or the said financial assistance is a part of a general plan of the Company;
- the Company distributes its properties as dividends in accordance with the laws;
- the Company distributes shares as dividends;
- the Company reduces its registered capital, repurchases its shares or adjusts the shareholding structure in accordance with the Articles of Association;
- the Company provides a loan for its normal business operations within its scope of business (but such financial assistance shall not give rise to a decrease in the net assets of the Company, or, despite a decrease, such financial assistance is made out of the distributable profit of the Company);
- the Company provides a loan for employee stock ownership plan (but such financial assistance shall not give rise to a decrease in the net assets of the Company, or, despite a decrease, such financial assistance is made out of the distributable profit of the Company).

Repurchase of Shares

The Company may, in the following circumstances, repurchase its shares pursuant to laws, administrative regulations, departmental rules and the Articles of Association:

- reducing the registered capital of the Company;
- merging with other companies holding shares of the Company;
- awarding shares to employees of the Company;
- shareholders objecting to resolutions of the shareholders' general meeting concerning merger or division of the Company, requiring the Company to buy their shares;
- other circumstances approved by laws and administrative regulations.

The Company shall not trade its shares unless in the aforesaid circumstances.

The Company may repurchase its shares in any of the following ways:

- making a general offer to repurchase shares from all shareholders in proportion to their shareholdings;
- repurchasing shares through open transactions in the stock exchange;
- repurchasing shares based on an off-market agreement;
- in other forms approved by the laws, administrative regulations and competent authorities of the PRC.

When repurchasing shares based on an off-market agreement, the Company shall obtain prior approval at the shareholders' general meeting in accordance with the Articles of Association.

After repurchasing its shares according to the laws, the Company shall cancel such shares before the deadline specified by laws and administrative regulations. After the shares are cancelled, the Company shall register the change of the registered capital with the original company registration authority. The total par value of the cancelled shares shall be reduced accordingly from the registered capital of the Company.

Increase and Decrease of Shares

According to the operation and development needs of the Company, subject to the applicable laws and regulations, the Company may increase the registered capital by the following ways upon approval by separate resolution of the shareholders' general meeting:

- public issue of shares;
- non-public issue of shares;
- placement of shares to existing shareholders;
- issue of bonus shares to existing shareholders;
- capitalization of common reserve fund;
- other means stipulated by laws and administrative regulations or approved by the relevant regulatory authority.

Issue of new shares for the increase of capital by the Company shall follow the procedures specified by the relevant laws and administrative regulations upon approval according to the Articles of Association.

The Company shall prepare a balance sheet and a list of property when reducing its registered capital.

The Company shall notify all creditors within 10 days after adoption of the resolution to decrease the registered capital and shall make announcements in newspapers within 30 days. The creditors shall be entitled to require the Company to repay debts or provide corresponding guarantees for debt repayment within 30 days after the receipt of the notice, or within 45 days after the date of announcement if the creditors have not received the notice.

The Company's registered capital shall not, upon the reduction of capital, be less than the statutory minimum limit.

SHARE CERTIFICATES AND REGISTER OF SHAREHOLDERS

The Company's share certificates are in registered form, shall include the followings:

- the name of the Company;
- the date of incorporation of the Company;
- the class and par value of the shares and the number of shares represented by the certificate;
- the serial number of the share certificate;
- other particulars required by the Company Law and the securities regulatory authority in the place where the Company's shares are listed.

The Company may issue certificates of overseas-listed foreign shares in the form of foreign depository receipts or other derivatives in accordance with the laws and the practice of registration and deposit of securities in the place of its listing.

- for non-voting shares in the share capital of the Company, the words "non-voting" in their designation;
- in case that the share capital includes shares carrying different voting rights, the words "restricted voting right" or "limited voting right" in the designation of each class of shares (except for shares with the most privileged voting rights).

The Company shall establish a register of shareholders recording the following matters:

- the names or titles, addresses or domiciles, occupations or nature of each shareholder;
- the class and number of shares held by each shareholder;
- the amount paid or payable on the shares held by each shareholder;
- serial numbers of the share certificates held by each shareholder;
- the date of registration;
- the date of deregistration.

The register of shareholders shall be sufficient evidence of the shareholders' shareholding in the Company, unless there is evidence to the contrary.

The Company may keep overseas the register of holders of overseas-listed foreign shares and entrust an overseas agency for its custody in accordance with the understanding and agreement reached between the securities regulatory authority under the State Council and the overseas securities regulatory authority. The original of the register of holders of overseas-listed foreign shares listed on the Hong Kong Stock Exchange shall be kept in Hong Kong.

The Company shall keep at its domicile a copy of the register of holders of overseas-listed foreign shares, and the entrusted overseas agency shall always ensure that the original and copies of the register of holders of overseas-listed foreign shares are consistent.

Where the original and copies of the register of holders of overseas-listed foreign shares are inconsistent, the original shall prevail.

Change of the register of shareholders arising from share transfer shall not be registered within 30 days before convening of a shareholders' general meeting or within five days prior to the record date for the purpose of dividend distribution by the Company.

Any person who has objection to the register of shareholders and requests to have his name (title) entered into or removed from the register of shareholders may file a petition to the court of competent jurisdiction for rectification.

Any registered shareholder or any person who claims to have his/her name (title) entered into the register of shareholders in respect of shares in the Company may apply to the Company for a new share certificate for replacement in respect of such shares (the "Relevant Shares"), in the event that his/her share certificate (the "Original Share Certificate") has been stolen, lost or destructed.

SHAREHOLDERS AND THE SHAREHOLDERS' GENERAL MEETING

Shareholders

The Company has established the register of shareholders and revised the Articles of Association according to the documents provided by the securities registration authority, the approval documents and filings provided by CSRC or its local branches and completed industrial and commercial registration in accordance with laws. Shareholders of the Company are persons lawfully holding shares of the Company, with names (titles) recorded in register of shareholders. The shareholders are entitled to rights and obligations according to the class of shares they held. Shareholders of the same class shall be entitled to the same rights and the same obligations.

Where two or more persons are registered as joint holders of any shares, they shall be deemed as the common owners of the said shares subject to the following restrictions:

- the Company shall not register more than four persons as joint shareholders of any shares;
- all joint shareholders shall be jointly and severally liable for all relevant costs payable;
- if one of the joint shareholders deceased, only the other existing shareholder(s) shall be deemed as the owners of relevant shares, provided that the Board may require a certificate of death of the relevant shareholder for the purpose of updating the register of shareholders;
- in respect of the joint shareholders of any shares, only the joint shareholder first named in the register of shareholders have the right to receive the certificate of relevant shares and

notices of shareholders' general meetings of the Company, and to attend or vote at shareholders' general meetings of the Company. Any notice delivered to the aforesaid shareholder shall be deemed to have delivered to all joint shareholders of the relevant shares. Any of the joint shareholders may sign the proxy form. In case that more than one of the joint shareholders attend the shareholders' general meeting, whether in person or by proxy, the vote of the senior joint shareholder will be accepted to the exclusion of the votes of the other joint shareholder(s), and for this purpose, seniority will be determined by the order in which the names stand in the register of shareholders in respect of the joint shareholding.

Holders of the ordinary shares of the Company shall be entitled to the following rights:

- to receive dividends and other distributions in proportion to the shares they hold;
- to file a petition according to laws, to convene, hold and attend the shareholders' general meetings either in person or by proxy and exercise their corresponding voting right;
- to supervise, present suggestions on or make inquiries about the operations of the Company;
- to transfer, donate or pledge their shares in accordance with laws, administrative regulations, relevant requirements provided by the securities regulatory authority in the place where the Company's shares are listed and the Articles of Association;
- to gain relevant information in accordance with the Articles of Association, including:
  (1) receiving the Articles of Association after payment of production cost;
  (2) being entitled to consult and copy all parts of the register of shareholders, personal data of directors, supervisors, manager and other senior management of the Company, share capital of the Company, report of the total par value, quantity, the highest and lowest price of each class of shares repurchased by the Company from the last fiscal year and the total amount paid by the Company for this purpose, minutes of shareholders' general meetings, the latest audited financial statements and reports of the Board, of the auditors and of the Board of Supervisors of the Company, special resolutions of the shareholders' general meetings and/or of the Board meetings of the Company, and a copy of the latest annual inspection report (annual returns) filed with the State Administration of Industry and Commerce or other competent authorities.
- to participate in the distribution of the remaining properties of the Company in proportion to their shareholdings in the event of the termination or liquidation of the Company;
- to require the Company to buy their shares in the event of objection to resolutions of the shareholders' general meeting concerning merger or division of the Company;
- to enjoy other rights stipulated by laws, administrative regulations, departmental rules and the Articles of Association.

In the event that any resolution of the shareholders' general meeting or the Board of the Company violates any applicable law or administrative regulations, the shareholders shall have the right to request the People's Court to invalidate the resolution.

In the event that any convening procedure, voting method or any resolution of the shareholders' general meeting or of any Board meeting is found in violation of applicable laws, administrative regulations or the Articles of Association, the shareholders may request the People's Court to invalidate the resolution thereof within 60 days from the date on which such resolution is resolved.

In the event of any loss caused to the Company as a result of violation of applicable laws, administrative regulations or the Articles of Association by the directors or senior management when performing their duties, any of the shareholders who holds 1% or more of the shares individually or jointly for no less than 180 consecutive days shall have the right to request the Board of Supervisors in writing to initiate litigation before the People's Court. In the event of any loss caused to the Company as a result of violation of applicable laws, administrative regulations or the Articles of Association by the Board of Supervisors when performing its duties, any of the shareholders may request the Board in writing to initiate litigation before the People's Court.

In the event that the Board of Supervisors or the Board dismisses the written request of any of the shareholders as specified in the preceding paragraph, or withholds from instituting litigation within 30 days of the receipt of the request, or that the failure to institute litigation immediately may otherwise cause irreparable damage to the interest of the Company in an urgent circumstance, such shareholder(s) as mentioned in the preceding paragraph shall have the right to initiate litigation before the People's Court in the name(s) of such shareholder(s) in the interest of the Company.

In the event of any infringement by a third party to the Company's legitimate rights and interest, resulting in losses to the Company, such shareholders as mentioned in the first paragraph of this article may initiate litigation before the People's Court in accordance with the preceding two paragraphs.

In the event that any director or senior management violates applicable laws, administrative regulations or the Articles of Association to the detriment of the interest of the shareholders, the shareholders may initiate litigation before the People's Court.

The holders of ordinary shares of the Company shall have the following obligations:

- to comply with the laws, administrative regulations and the Articles of Association;
- to make the payment in respect of the shares subscribed for and the method of subscription;

In the event of false capital contribution, fraudulent capital contribution, withdrawal of capital or disguised withdrawal of capital of the shareholders of the Company, the Company shall report to the branch of CSRC where the domicile of the Company located within 10 working days and request the relevant shareholder for rectification within one month.

- to be prohibited from claiming the share capital in respect of its shares, unless otherwise specified by the laws or regulations;
- not to abuse rights of shareholder to the detriment of the interest of the Company or other shareholders, or abuse the Company's independent legal person status or the limited liability of the shareholders, to the detriment of the interest of the creditors of the Company. In the event of any damage caused to the Company or other shareholders arising from any abuse of the shareholder's right, such shareholder shall be liable for compensation in accordance with laws. In the event of any material damage caused to the interest of the creditors of the Company arising from any abuse of the Company's

independent legal person status and the limited liability of the shareholders by any shareholder to evade from debts, such shareholder shall be jointly and severally liable for the Company's debts;

- any shareholder or beneficial owner who holds no less than 5% of the shares of the Company shall notify the Company in writing within five business days of any of the following events: (1) the shares of the Company held or controlled by it are subject to any property preservation or other mandatory measures; (2) the beneficial owner of any shareholder who holds no less than 5% of the shares of the Company is changed; (3) it has decided to dispose of all of its equity interest in the Company; (4) it authorizes another person to exercise its shareholder rights, or reaches an agreement with another person with respect to the exercise of its shareholder rights; (5) its name has been changed; (6) a merger or division has been effected; (7) it is ordered to suspend operation, or is appointed a receiver, or is taken over, subject to revoke or other regulatory measures or in the process of dissolution, bankruptcy or liquidation; (8) it is imposed upon administrative penalties or criminal punishment due to serious violation of laws or regulations; (9) other circumstances that may result in the transfer of the shares of the Company that it holds or controls or otherwise affect the operation of the Company. The Company shall report to the local branch of the CSRC at the domicile of the Company within five business days following its acknowledgement of any event abovementioned (where that shareholder is a recognized clearing house within the meaning of the laws of place where the shares of the Company are listed, this article is not applicable to the recognized clearing house).

- to assume other obligations imposed by laws, administrative regulations and the Articles of Association.

Any shareholder holding 5% or above of the voting shares of the Company, who pledges its shares, shall immediately report to the Company in writing on the day of effectiveness of such pledge of shares. The Company shall report to the local branch of the CSRC at the domicile of the Company within five business days following its acknowledgement of any event abovementioned.

No entities or individuals are allowed to directly or indirectly hold 5% or more of the Company's shares without approval from the CSRC. Otherwise, it shall be rectified within a prescribed period of time, and any voting right in respect of such shares may not be exercised prior to such rectification.

The Company and its shareholders (or related parties of shareholders) shall not act as follows:

- holding equity of shareholders unless otherwise specified by laws, administrative regulations or CSRC;

- transmitting undue benefits to shareholders by way of purchasing securities held by shareholders;

- shareholders illegally occupying assets of the Company;

- other acts prohibited by laws, administrative regulations or CSRC.

The controlling shareholder and beneficial owner of the Company shall not exploit their controlling position or abuse their rights to harm the legitimate interests of the Company, other shareholders and the clients of the Company. In the event of any damage caused to the Company, other shareholders and clients of the Company due to their violation of regulations, they shall be liable for such damages.

The controlling shareholder and beneficial owner of the Company shall bear the fiduciary duty to the Company and the public shareholders of the Company. The controlling shareholder shall strictly abide by the laws in exercising the investor's rights and shall not infringe the legitimate rights of the Company and the public shareholders by way of profit distribution, asset reorganization, external investment, use of capital and guarantee for borrowings.

The controlling shareholder shall not appoint or remove any director, supervisor or senior management of the Company without the approval of the shareholder' general meeting and the Board. The shareholders and beneficial owners of the Company shall not intervene the operation and management of the Company in violation of the laws, administrative regulations and the Articles of Association.

The Company shall not directly or indirectly provide funds to the controlling shareholder and other related parties in the following ways:

- to lend or borrow capital of the Company to the controlling shareholder and other related parties with or without compensation;
- to provide entrusted loan for the controlling shareholder and other related parties through banks or non-bank financial institution;
- to entrust the controlling shareholders or other related parties for investment activities;
- to give commercial acceptance notes without real transaction for the controlling shareholder and other related parties;
- to repay debts of the controlling shareholder and other related parties;
- other ways specified by CSRC.

In the event of expropriation of the property of the Company by the controlling shareholder or beneficial owner of the Company which has caused damage to the interest of the Company and the public shareholders, the Board shall apply for the judicial freeze on the equity interest of the Company held by it. In the event that the controlling shareholder is unable to repay all the expropriated asset of the Company in cash, its shareholdings shall be disposed for repayment and it shall be liable for the loss arising from the expropriation.

General Rules of Shareholders' General Meeting

The shareholders' general meeting is the authority of the Company and shall exercise the following functions and powers in accordance with the laws:

- to determine the operating policies and investment plans of the Company;
- to elect and replace any of the directors and supervisors other than those held by staff representatives, and to determine the amount and distribution method of the emoluments of the directors and supervisors;
- to consider and approve the reports of the Board;
- to consider and approve the reports of the Board of Supervisors;

- to consider and approve the annual financial budget and final account of the Company;
- to consider and approve the profit distribution plans and plans of deficit coverage of the Company;
- to approve resolutions on increase or reduction of registered capital of the Company;
- to resolve on the issuance of bonds of the Company;
- to resolve on matters such as merger, division, dissolution, liquidation or change of nature of the Company;
- to amend the Articles of Association;
- to resolve on the appointment and removal of any accounting firm;
- to consider and approve any guarantee issue set forth in Article 69 of the Articles of Association;
- to consider any purchase or disposal of material assets by the Company of an aggregate value exceeding 30% of the Company's latest audited total assets in a year;
- to consider and approve any change of the use of proceeds raised;
- to consider share incentive scheme;
- to consider and resolve on the proposal submitted by any shareholder(s) jointly or individually holding no less than 3% of the voting shares;
- to hear the report from the Board and the Board of Supervisors on the performance appraisal and remunerations of the directors and supervisors of the Company;
- to hear the report from the Board on the duty performance, performance appraisal and remunerations of the senior management of the Company;
- to deal with such other matters to be resolved at shareholders' general meeting as required by the laws, administrative regulations, departmental rules, listing rules of the places where the shares of the Company are listed or the Articles of Association.

The provision of any of the following guarantee for any external party by the Company shall be considered and resolved at shareholders' general meeting:

- any guarantee provided for any entity with a gearing ratio of more than 70%;
- any single guarantee with a value of more than 10% of the latest audited net assets of the Company.

The total amount of guarantee provided for external parties by the Company shall be no more than 20% of the latest audited total assets of the Company.

Any guarantee provided by the Company to its related parties, regardless of the amount, shall be submitted to the shareholders' general meeting for approval upon the approval from the Board. The Company shall not provide guarantee for its shareholders or their related parties.

Shareholders' general meetings consist of annual general meetings and extraordinary general meetings. The annual general meeting shall be held once every year within six months following the end of the previous financial year. In case of adjournment under special circumstances, the Company shall promptly report to the local branch of the CSRC in the place at which the Company is located with the reasons for adjournment.

The Company shall hold an extraordinary general meeting within two months subsequent to the occurrence of any of the following events:

- when the number of incumbent directors falls below the requirement of the Company Law, or is less than two-thirds (2/3) of the number specified by the Articles of Association;
- when the uncovered loss is more than one-third (1/3) of the Company's total paid-up share capital;
- when any of the shareholders individually or jointly holding no less than 10% of the Company's shares make(s) any request, and the number of shares held by the shareholders shall be calculated as of the date on which the written request is made;
- when the Board considers it necessary;
- when the Board of Supervisors proposes to convene such meeting;
- such other circumstances as specified by the laws, administrative regulations, departmental rules or the Articles of Association.

Convening of Shareholders' General Meeting

Any independent director may propose to the Board to convene an extraordinary general meeting, and the Board shall reply in writing in response to such proposal, whether consent or not, within 10 days upon receipt of the proposal in accordance with the laws, administrative regulations and the Articles of Association.

If the Board consents to the proposal, a notice on convening such meeting shall be issued within five days following the date of such resolution of the Board. If the Board rejects the proposal, the Board shall provide an explanation and make relevant announcement.

The Board of Supervisors may propose in writing to the Board to convene an extraordinary general meeting. The Board shall reply in writing in response to such proposal, whether consent or not, within 10 days upon receipt of the proposal in accordance with the laws, administrative regulations and the Articles of Association.

If the Board consents to the proposal, a notice on convening such meeting shall be issued within five days following the date of such resolution of the Board, provided that any change to the proposal made in notice shall be subject to approval of the Board of Supervisors.

If the Board rejects the proposal or withholds from responding for 10 days following receipt of the proposal, the Board shall be deemed failing to perform the duty of convening a shareholders' general meeting. In such case, the Board of Supervisors may convene and preside over the meeting.

Any of the shareholders individually or jointly holding no less than 10% of the Company's shares may propose in writing to the Board to convene an extraordinary general meeting. The Board shall reply in writing in response to such proposal, whether consent or not, within 10 days upon receipt of the proposal in accordance with laws, administrative regulations and the Articles of Association.

If the Board consents to the proposal, a notice on convening such meeting shall be issued within five days following the date of such resolution of the Board, provided that any change to the proposal made in the notice shall be subject to approval of the relevant shareholders.

If the Board rejects the proposal or withholds from responding for 10 days following the receipt of the proposal, such shareholder(s) individually or jointly holding no less than 10% of the shares of the Company may propose to the Board of Supervisors in writing to convene an extraordinary general meeting.

If the Board of Supervisors consents to the proposal, a notice convening such meeting shall be issued within five days following receipt of the proposal, provided that any change to the proposal made in the notice shall be subject to approval of the relevant shareholder(s).

If the Board of Supervisors has not issued any notice on convening such meeting within the prescribed period following receipt of the proposal, it shall be deemed that the Board of Supervisors will not convene and preside over the shareholders' general meeting. Such shareholder(s) individually or jointly holding 10% or above of the Company's shares for more than 90 consecutive days shall have the right to convene and preside over an extraordinary meeting.

If the Board of Supervisors or any such shareholder(s) convene(s) an extraordinary meeting, the Board shall be notified in writing, and the meeting shall be registered with the local branch of the CSRC and the stock exchange(s) in the place in which the Company is located.

The shareholder(s) convening the shareholders' general meeting shall hold no less than 10% of the shares of the Company prior to the announcement of any resolution approved at the shareholders' general meeting.

Such convening shareholder(s) shall submit relevant evidence to the local branch of the CSRC and the stock exchange(s) in the place in which the Company is located when issuing the notice of shareholder's general meeting and announcement of any resolution approved at the shareholder's general meeting.

The Board and its secretary shall cooperate with the Board of Supervisors or such shareholder(s) convening the meeting. The Board shall provide the register of shareholders as of the record date.

Any such expense necessary to convene the meeting incurred by the Board of Supervisors or such shareholder(s) shall be reimbursed by the Company, and any sum so reimbursed shall be deducted from the amount payable by the Company to the defaulting directors.

Proposal of Shareholders' General Meeting

As a shareholders' general meeting is convened, the Board, Board of Supervisors and any of the shareholders individually or jointly holding no less than 3% of the shares of the Company may propose any resolution to the Company.

Any of the shareholders individually or jointly holding no less than 3% of the shares of the Company may submit an interim proposal in writing to the convener at least 10 days prior to the convening of the shareholders' general meeting. The convener shall then send a supplemental notice to the shareholders to announce the interim proposal, within 2 days upon receipt of such proposal.

Other than the above circumstances, the convener shall not make any change in the notice of the shareholders' general meeting to the existing proposals or add any new proposal after the publication of the notice.

Resolutions at the Shareholders' General Meeting

Resolutions of the shareholders' general meetings shall be classified into ordinary resolutions and special resolutions. An ordinary resolution shall be passed by votes representing not less than half of the voting rights carried by the shareholders (including proxies) present at the meeting. A special resolution shall be passed by votes representing not less than two-thirds of the voting rights carried by the shareholders (including proxies) present at the meeting.

The following matters shall be approved by special resolutions at the shareholders' general meeting:

- increase or reduction in registered capital of the Company and the issue of shares of any class, warrants and other securities;
- issue of bonds by the Company
- division, merger, change of nature, dissolution and liquidation of the Company;
- amendment to the Articles of Association;
- purchase or disposal of material assets by the Company within one year of a value exceeding 30% of the Company's latest audited total assets;
- adoption of share incentive scheme;
- other matters specified by the laws, administrative rules or the Articles of Association and matters specified by ordinary resolutions of shareholders' general meeting that are considered to be significant to the Company and shall be approved by special resolutions.

Shareholders (including their proxies) shall exercise their voting rights representing by the number of voting shares they represent. Each share shall have one vote.

Shares held by the Company do not carry any voting rights and shall not be counted in the total number of voting shares represented by shareholders present at a shareholders' general meeting.

When a connected transaction is considered at a shareholders' general meeting, the connected shareholders shall abstain from voting. The voting shares held by connected shareholders shall not be counted in the total number of shares with voting rights. The announcement on the resolutions of the shareholders' general meeting shall fully disclose the voting of the shareholders who are not connected parties.

Other than the cumulative voting system, the shareholders' general meeting shall vote on all proposals one by one. For different proposals on the same matter, voting shall be proceeded according to the time order of these proposals. Other than special reasons such as force majeure which results in the interruption of the meeting or makes it impossible to come to resolution, the shareholders' general meeting shall not stay the proposals or withhold from voting.

When shareholders are voting on any proposals at the shareholders' general meeting, lawyers, shareholders' representatives and supervisors' representatives shall be jointly responsible for vote counting and scrutinizing. The voting results shall be announced in the meeting and recorded in the minutes. If votes are counted at the shareholders' general meeting, the counting results shall be recorded in the minutes of the meeting.

Special Procedures for Voting by Class Shareholders

Shareholders holding different classes of shares shall be class shareholders. Except for holders of shares of other classes, the holders of domestic shares and overseas-listed foreign shares are different classes of shareholders.

Any variation or abrogation of the rights of any class of shareholders proposed by the Company shall be approved by a special resolution at the shareholders' general meeting and by the shareholders of the affected class at a separate class meeting.

The following circumstances shall be deemed to be variation or abrogation of the rights of shareholders of a certain class:

- increase or decrease in the number of shares of that class, or increase or decrease in the number of shares of another class having the same or more rights in voting, distribution or other privileges;
- conversion of all or part of the shares of that class into shares of other classes, or conversion of all or part of the shares of other classes into shares of that class or granting rights of such conversion;
- removal or reduction of the entitlement and rights to receive and retain dividends attributable to shares of that class;
- reduction or removal of the priority of the shares of that class to receive dividends or distribution in the event of liquidation;
- increase, removal or reduction of the right of conversion, options, voting rights, the right to transfer, priority in placement of shares and the right to acquire securities of the Company attached to shares of that class;
- removal or reduction of the right to receive sums payable by the Company in particular currencies attached to shares of that class;
- creation of a new class of shares having the same or more rights in voting, distribution or other privileges;
- imposing or strengthening the restriction on the transfer or holding of the shares of that class;
- issue of rights to subscribe for or convert into shares of that class or other classes;
- increase in the rights and privileges of shares of other classes;
- proposed restructure of the Company which shall result in different classes of shareholders having to assume disproportionate liabilities;
- alteration or cancellation of the provisions set out in this section.

Shareholders of the affected class, whether or not having the right to vote at the shareholders' general meetings, shall have the right to vote at the class meeting in relation to any of the matters under circumstances (2) to (8), (11) and (12) above, but interested shareholders shall abstain from voting at the relevant class meeting.

A resolution of a class meeting shall be passed by at least two-thirds of the voting rights held by the shareholders present and entitled to vote at the class meeting.

The special procedures for voting by class shareholders shall not apply in the following circumstances:

- pursuant to a special resolution of shareholders' general meeting, the Company issues domestic shares and overseas-listed foreign shares once every 12 months, either separately or concurrently, and the respective numbers of domestic shares and overseas-listed foreign shares proposed to be issued do not exceed 20% of the respective numbers of the issued domestic shares and overseas-listed foreign shares;
- the Company completes the issue of domestic shares and overseas-listed foreign shares according to the plan adopted upon its establishment within 15 months from the date of approval by the securities regulatory authority of the State Council;
- upon the approval from securities regulatory authority of the State Council, holders of the Company's domestic shares transfer their shares to foreign investors for listing and dealing on overseas stock exchange.

DIRECTORS AND THE BOARD

Directors

Directors shall be elected or replaced by shareholders' general meetings. The term of office of a director shall be three years. The directors may be re-elected upon expiration of their term, provided the term of office of an independent director shall not exceed six years.

The term of office of directors shall begin from the date of appointment to the expiration of term of office of the Board. Where the directors have not been re-elected upon the expiration of term of office, the original directors shall, before their posts are taken up by the re-elected directors, still perform their duties in accordance with the laws, administrative rules, departmental regulations and the Articles of Association.

President or other senior management may concurrently serve as a director (other than independent director), provided that the aggregate number of directors who concurrently serve as president or other senior management and directors served by staff representatives shall not be more than one half of all directors of the Company.

The directors shall not be required to hold shares of the Company.

The directors shall comply with the laws, administrative rules and the Articles of Association and shall faithfully perform the following obligations to the Company:

- not to abuse their rights to accept bribes or other illegal income and not to misappropriate the properties of the Company;
- not to misappropriate the assets of the Company or its clients;
- not to deposit any assets or money of the Company in any accounts under their names or in the names of other persons;
- not to violate the Articles of Association and lend the money of the Company to others or provide guarantee to others by charging the Company's assets without approval of the shareholders' general meetings or the Board;
- not to enter into contracts or transactions with the Company in violation of the Articles of Association or without approval of the shareholders' general meeting;

- not to use their position to obtain business opportunities which should be available to the Company for themselves or others, or to run his/her own or others' business which is similar to the Company's business without approval of the shareholders' general meeting;
- not to accept commissions in relation to transactions with the Company;
- not to disclose the secrets of the Company without consent;
- not to use their connections to harm the interests of the Company;
- to be bound by other obligations stipulated by the laws, administrative rules, departmental regulations and the Articles of Association.

Income received by any director in violation of this article shall be forfeited by the Company. Any director who acts in violation of this article shall be liable for any losses caused to the Company.

The directors shall diligently perform the following obligations to the Company in compliance with laws, administrative regulations and the Articles of Association:

- to exercise prudently, conscientiously and diligently the rights granted by the Company to ensure that the Company's commercial activities are in compliance with the laws, administrative regulations and the economic policies of the PRC and within the scope stipulated in the business license;
- to treat all shareholders equally and fairly;
- to understand the operation and management of the Company in a timely manner;
- to approve regular reports of the Company in written form and to ensure the integrity, accuracy and completeness of the information disclosed by the Company;
- to provide all relevant information required by the Board of Supervisors and shall not intervene in the performance of the Board of Supervisors or supervisors of their duties;
- to perform other obligations of diligence stipulated by the laws, administrative rules, departmental regulations and the Articles of Association.

No director shall act for the Company or the Board without authorization by the Articles of Association or the Board. Where a director acts in his/her own name in a situation where a third party may reasonably believes that such director is acting for the Company or the Board, such director shall declare in advance his/her stance and capacity.

Where a director fails to attend and fails to delegate any other director to attend the meetings of the Board for continuously two times, it shall be deemed that the director is unable to exercise his/her duties, and the Board shall suggest the shareholders' general meeting to remove such director.

The directors may resign before the expiration of their term of office. Where the number of directors is lower than the quorum due to the resignation of the directors, the original directors shall, before their posts are taken up by the re-elected directors, still perform their duties in accordance with the laws, administrative rules, departmental regulations, and the Articles of Association. Otherwise, the resignation of directors shall come into effect upon the service of resignation reports to the Board.

In case of the resignation or the expiration of term of office of the directors, all handover procedures shall be handled with the Board, and the loyalty obligations (including but not limited to the obligation of confidentiality) of the directors to the Company and the shareholders will not necessarily be removed upon the termination of the term of office and will remain effective for two years from the date of resignation.

The Board

The Company shall have a board accountable to the shareholders' general meeting.

The Board consists of 15 directors, including at least one-third of independent directors. The Board shall have a chairman and may have a vice chairman. Internal directors shall not be more than one half of all directors of the Company.

The Board shall perform the following duties:

- to convene shareholders' general meetings and to report to shareholders' general meetings;
- to implement the resolutions of the shareholders' general meetings;
- to determine business operation plans and investment plans of the Company;
- to formulate annual preliminary and final financial budgets of the Company;
- to formulate the profit distribution plans and plans for recovery of losses of the Company;
- to formulate proposals of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;
- to formulate plans for any substantial acquisition by the Company, repurchase of shares or merger, division, dissolution and change of form of the Company;
- to decide on matters relating to the Company's external investments, acquisitions or disposal of assets, mortgage of assets, external guarantees, entrusted wealth management and connected transactions as authorized by the shareholders' general meetings;
- to decide on the establishment of the Company's internal management structure;
- to appoint or dismiss the Company's president and secretary to the Board and, based on the nominations of president, to appoint or dismiss vice president, chief finance officer and other senior management and to determine their remuneration and penalties;
- to formulate the basic management policies of the Company;
- to formulate proposals for any amendments to the Articles of Association;
- to manage the disclosure of information of the Company;
- to propose to the shareholders' general meetings the appointment or change of the accounting firm acting as the auditors of the Company;
- to consider and review the working report and the work of the president of the Company;
- to formulate the risk management system of the Company;
- to formulate proposals regarding the amount and distribution method of the emoluments of directors of the Company;
- other duties and powers granted by the laws, administrative rules, departmental regulations and the Articles of Association.

Other than resolutions on items (6), (7) and (12) that must be approved by the voting of two-thirds of all directors, resolutions on the above items may be approved by the voting of more than one half of the directors.

The Board and chairman of the Board of the Company shall perform their duties and powers within the scope authorized by the laws, administrative regulations, CSRC and the Articles of Association and shall not act beyond the scope of their powers to intervene the operation management of the management team.

Any events beyond the authorization scope of the shareholders' general meeting shall be submitted to the shareholders' general meeting for approval.

The Board shall make explanation at the shareholders' general meeting for the non-standard audit opinions on the financial report of the Company issued by the certified public accountant.

The Board shall formulate the rules of procedures of the Board to ensure the implementation of resolutions of the shareholders' general meeting, enhance the working efficiency and ensure the scientific decision making.

Chairman and deputy chairman shall be elected and removed by over half of the members of the Board. Their term of office shall be three years and may be re-elected upon the expiration of term.

Chairman of the Board shall exercise the following duties and powers:

- to preside the shareholders' general meeting and convene and preside the meeting of the Board;
- to urge and examine the implementation of resolutions of the Board;
- to execute the certificates of shares, bonds and other negotiable securities of the Company;
- to sign major documents of the Board and other documents that shall be signed by the legal representative of the Company;
- to exercise the duties and powers of legal representative(s);
- other duties and powers granted to the Board.

The notice of meeting of the Board shall be delivered by hand, post or facsimile, and the time period for notification shall be five days before the date of meeting.

The quorum of the meeting of the Board shall be over half of the directors. Unless otherwise provided in the Articles of Association, the resolutions of the Board shall be passed with the approval of over half of all directors.

Where any directors is related to the enterprises involving in the resolution discussed in the meeting of the Board, such director shall neither exercise his/her voting right on such resolution nor exercise the voting right on behalf of other directors. Such meetings of the Board may be held with the attendance of over half of the non-related directors, and the resolutions made by the meetings of the Board must be passed with the approval of over half of the non-related directors. Independent directors shall make independent opinions regarding the significant connected transactions and report to the local branch of CSRC of the place of domicile of the Company if required. Where the number of non-related directors is less than three, relevant matters shall be submitted to the shareholders' general meeting for approval.

The meetings of the Board shall be attended in person. Where the directors are unable to attend the meetings, other directors may be delegated to attend the meetings on behalf with written consent.

The Board shall make minutes and audio recording, if necessary, for the decisions of the matters discussed in the meetings. The minutes shall truly, accurately and completely record the meeting procedures, resolutions, opinion of directors and voting results. Directors attending the meeting and the recorders shall sign on the minutes. The directors shall bear the responsibilities for the resolutions of the Board. Where the resolutions of the Board violate the laws, administrative rules or the Articles of Association, resulting in severe losses to the Company, the directors participating in the resolutions shall be liable to compensate the Company, but the directors that have expressed their objections which have been recorded on the minutes in the meeting may be exempted from the liabilities.

The minutes of the meetings of the Board shall be kept by the Company as archives for no less than 15 years.

Committees under the Board

The Board of the Company has set up a compliance and risk management committee, an audit committee, a development and strategies committee, a nomination committee, and a remuneration and appraisal committee. All members of the committees shall be directors, while the number of independent directors in the audit committee, nomination committee and remuneration and appraisal committee shall be more than half of the total number of members. The establishment of committees by the Board shall be approved by the shareholders' general meeting.

The committees shall be accountable and report to the Board in accordance with the Articles of Association.

Secretary to the Board

The Company shall have a secretary to the Board who shall be a senior management of the Company. The secretary shall be responsible for the organization and of shareholders' general meetings and board meetings, documentation and the management of shareholder information of the Company. The secretary shall also provide relevant information as required by regulations or relevant entities or individuals, such as the CSRC and its local branches and shareholders, in accordance with the laws and deal with information disclosure and other matters.

The secretary to the Board shall be nominated by the chairman of the Board and shall be appointed or dismissed by the Board.

The secretary to the Board shall mainly perform the following duties:

- to maintain communication between the Company and relevant parties, and the Shanghai Stock Exchange, the Hong Kong Stock Exchange and other regulatory authorities; to prepare and submit documents required by the securities regulatory departments in the place where the shares are listed, and perform missions set by regulatory authorities; to ensure that the Company legally prepares and submits reports and documents required by competent authorities.
- to take charge of the information disclosure of the Company and to procure the Company to establish and implement information disclosure system and internal report system for

significant information, enable the Company and the relevant persons to discharge the obligation of information disclosure in accordance with the laws and disclose information in regular reports and temporary reports to stock exchanges in accordance with relevant requirements.

- to organize shareholders' general meetings, board meetings and committee meetings in accordance with the legal procedures, prepare and submit documents and information of board meetings, shareholders' general meetings and other relevant meetings; to attend board meetings, take minutes of the meetings, ensure the accuracy of the minutes and sign the minutes; to maintain meeting documents and minutes of meetings of board meetings, committee meetings and shareholders' general meetings and submit meeting documents and minutes of meetings of board meetings, committee meetings and shareholders' general meetings to local branches of the CSRC for filing.
- to ensure that constitutional documents and records of the Company are complete.
- to coordinate and organize the information disclosure of the Company, including the improvement of the information disclosure system, reception of visitors, communication with the news media and investors, reply to public inquiries, communication with shareholders and timely provision of information publicly disclosed by the Company to eligible investors, in order to ensure its timeliness, legitimacy, truthfulness and completeness.
- to attend meetings regarding information disclosure. Relevant departments of the Company shall provide the secretary to the Board with data and information required for information disclosure. Before making major decisions, the Company shall consult the secretary to the Board about information disclosure.
- to take charge of information confidentiality and formulate confidentiality measures to ensure that directors, supervisors, other senior management and relevant insiders to keep information confidential before disclosure. In case of leakage of inside information, the secretary to the Board shall promptly take remedial measures to explain and clarify, and report to stock exchanges and securities regulatory departments in the place where the shares are listed.
- to ensure that the registers of shareholders of the Company are properly maintained and persons entitled to access the records and documents of the Company are promptly furnished with such records and documents.
- to keep the information of the registers of shareholders and directors, supervisors and senior management of the Company, shareholding of controlling shareholders, directors, supervisors and senior management in the Company, and the seal of the Board.
- to assist directors, supervisors and senior management of the Company in understanding their responsibilities stipulated by the laws, regulations, rules, the Articles of Association and stock listing rules and agreements in the place where the securities of the Company are listed.
- to procure the Board to exercise their duties. When the Board proposes resolutions which violate the laws, administrative rules, departmental regulations, stock listing rules, other requirements of stock exchanges or the Articles of Association, the secretary to the Board shall remind directors at the meeting and propose to supervisors attending the meeting to

give opinion thereon. If the Board insists on the above resolutions, the secretary to the Board shall record the opinions of relevant supervisors and his/her comments in the minutes of meeting and report the same to the Shanghai Stock Exchange.

- to provide consultation and advice for major decisions of the Company.
- to perform other duties required by the Company Law and other laws, regulations, rules and listing rules in the place where the securities of the Company are listed.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT

The Company shall have one president and several vice presidents. The present shall be appointed for a term of three years subject to re-appointment. Directors may be appointed concurrently as the president, vice presidents or other senior management. The president and other senior management shall be appointed or dismissed by the Board.

A person who holds an office other than that of a director of the controlling shareholder or actual controller of the Company shall not act as the senior management of the Company.

The president shall be accountable to the Board and perform the following duties:

- to be in charge of the operation and management of the Company, organize the execution of the resolutions of the Board and report his/her work to the Board;
- to formulate the development plan, annual operation plan and investment plan of the Company;
- to prepare and implement the annual operation plan and investment plan of the Company;
- to formulate the management structure of the Company;
- to formulate the basic management system of the Company;
- to formulate rules and regulations for the Company;
- to handle significant external business and affairs on behalf of the Company;
- to propose to the Board the appointment or dismissal of the vice presidents, chief financial officer, chief compliance officer, chief risk officer and other senior management.
- to appoint or dismiss management members other than those required to be appointed or dismissed by the Board;
- to decide the incentive and penalty, promotion and relegation, salary raise and reduction, appointment, dismissal and recruitment of employees of the Company;
- to temporarily handle urgent matters during the operations which shall be decided by the Board and report such matters to the Board of the Company afterwards;
- to perform other duties delegated by the Articles of Association or the Board.

The working rules of the president shall be prepared by himself/herself for approval of the Board.

If a senior management violates any laws, regulations and the Articles of Association and infringes the lawful rights of the Company and customers, he/she shall be subject to internal punishment by the Board and the Board of Supervisors. The Company shall not, on behalf of a director, supervisor or the senior management, pay any fines or compensations to which he/she shall be liable personally.

Chief Compliance Officer

The Company shall has a chief compliance officer who is a senior management of the Company. The chief compliance officer shall be accountable to the Board and shall report his/her work to the Board and to the regulatory authorities subject to the regulations.

The chief compliance officer shall have the qualifications required by the CSRC. The chief compliance officer shall be appointed and removed by the Board. The appointment of the chief compliance officer shall be approved by the local branch of the CSRC in the place where the Company operates before his/her assumption of office.

The Company shall not dismiss the chief compliance officer without proper reasons. Written report on the dismissal of the chief compliance officer and the reason thereof shall be submitted to the local branch of the CSRC in the place where the Company operates within three working days from the date of dismissal.

The chief compliance officer shall be responsible for the examination, supervision and review of the legitimacy and compliance of operation management and business of the Company and its employees. The duties of the chief compliance officer shall be as follows:

- to organize, guide and supervise the performance of compliance management duty of the compliance management department, conduct performance appraisal on the work of the compliance management department and arrange the appointment and dismissal, remuneration, and incentive and penalty of compliance management personnel;
- to supervise the implementation of the internal management system and business rules by relevant departments of the Company, advise the Board or operation management of the Company in a timely manner and supervise relevant departments in response to changes in laws, regulations and standards, evaluate the impact of laws, regulations and standards on the compliance management of the Company, revise and improve relevant management systems and business procedures;
- to conduct compliance examination on internal management systems, major decisions, new products and new business plans of the Company and issue written compliance examination opinions. The chief compliance officer shall examine application materials or reports submitted to securities regulatory authorities by the Company as required and give clear opinions on the application materials or reports with his/her signatory;
- to take effective measures to supervise the compliance of operation management and practices of the Company and its employees, and conduct regular and irregular examinations in accordance with requirements of securities regulatory authorities and regulations of the Company;
- to report to the Board and local branches of the CSRC in a timely manner in the place where the Company operates when violation of laws and regulations or compliance risk is found; the chief compliance officer shall also report to relevant self-regulatory organizations in the event of violation of industrial standards and self-regulatory rules;

- to timely advise relevant organizations or departments of the Company on stopping and handling of potential violation of laws and regulations and compliance risk and supervise the rectification. In addition, the compliance officer shall also supervise the report of the Company on rectification results to local branches of the CSRC in the place where the Company operates, and send a copy to relevant self-regulatory organizations if necessary;
- to maintain communication with securities regulatory authorities and self-regulatory organizations, take initiative to cooperate with securities regulatory authorities and self-regulatory organizations, handle investigation required by securities regulatory authorities and self-regulatory organizations in the timely manner, cooperate with securities regulatory authorities and self-regulatory organizations in their examination and investigation on the Company, and track and evaluate the implementation of regulatory opinions and requirements;
- to provide compliance consultation to decision-makers, management, all departments and all branches of the Company, organize compliance training and assist the management of the Company in cultivating compliance culture;
- to prepare interim compliance reports and annual compliance reports as required and submit the same to the Board for consideration;
- to consult with securities regulatory authorities or self-regulatory organizations when there are ambiguities in laws, regulations and standards which affect his/her judgment on the operation and management and practice of the Company and its employees;
- to formulate and implement policies of anti-money laundering and control mechanism on sensitive information;
- to handle complaints and reports regarding illegal acts and violations of the Company and employees;
- to file documents and information related to his/her duties, including his/her opinions and recommendations on compliance, and corporate documents and compliance assessment reports signed by him/her, and record his/her performance of duties;
- other duties regarding compliance as provided by regulatory authorities or the Company.

Chief Risk Officer

The Company shall has a chief risk officer who is a member of senior management of the Company. The chief risk officer shall not perform other duties or serve in other departments that have conflict of interest with his/her duties as a chief risk officer.

The chief risk officer shall be responsible for the overall risk management of the Company. The candidate of the chief risk officer shall be nominated by the president and appointed by the Board.

The chief risk officer shall have the following qualification:

- he/she shall be qualified to serve as the senior management of securities companies;
- he/she shall be familiar with the securities business and equipped with professional knowledge and skills in relation to risk management;
- he/she shall have worked for the securities industry or securities regulatory authorities for not less than five years;

- he/she shall be at least university graduates or possess at least a bachelor's degree.

The duties of chief risk officer are as follows:

- to encourage the establishment of a system for overall risk management and formulate risk management procedures and system;
- to guide the operation of risk management department of the Company and monitor, evaluate and report the overall risk level of the Company;
- to review and evaluate and give opinions on the risk management of innovation business of the Company;
- to appoint and dismiss, assess, and award and penalize the personnel who are responsible for risk management of the Company;
- to cultivate a good risk management culture of the Company through training and giving guidance;
- to promote advanced risk management approaches and tools in order to enhance risk management efficiency;
- to assist, guide and assess the risk management of all departments and branches;
- to provide recommendation on risk management regarding business development of the Company;
- to handle material risks of the Company and implement policies for the evaluation of risk management of the Company.

Supervisors and Board of Supervisors

Supervisors

Directors, president and other senior management members shall not concurrently act as supervisors.

The term of office of a supervisor shall be three years. The supervisors may be re-elected upon expiration of their term. If a supervisor is removed from his/her office before the expiration of his/her term, relevant explanation shall be provided by shareholders' general meeting. The supervisor being removed shall be entitled to speak at the shareholders' general meeting, the CSRC or its local branches.

The supervisors of the Company shall have their qualifications recognized by the CSRC or its local branches before assuming office.

Where a supervisor is not re-elected or resigns before the expiration of his/her term resulting in the Board of Supervisors members to be less than the requisite quorum, the original supervisor shall, before his/her post is taken up by the re-elected supervisor, still perform his/her duties in accordance with the laws, administrative rules, departmental regulations and the Articles of Association.

The supervisors may attend the board meetings and raise questions or suggestions to the resolutions at the board meetings.

Board of Supervisors

The Company shall have the Board of Supervisors. The Board of Supervisors shall consist of nine supervisors, including a chairman and a vice chairman (optional). The election and removal of the chairman and vice chairman of the Board of Supervisors shall be determined by the affirmative votes of two-thirds or more of the members of the Board of Supervisors. Meetings of the Board of Supervisors shall be convened and presided over by the chairman of the Board of Supervisors. Where the chairman of the Board of Supervisors is incapable of performing or fails to perform his/her duties, a vice chairman of the Board of Supervisors shall convene and preside over the meeting of the Board of Supervisors. Where the vice chairman of the Board of Supervisors is incapable of performing or fails to perform his/her duties, a supervisor elected by not less than half of the supervisors shall convene and preside over the meeting of the Board of Supervisors.

Members of the Board of Supervisors shall comprise shareholders' representative supervisors, staff representative supervisors and independent supervisors. Shareholders' representative supervisors and independent supervisors shall be elected and removed by the shareholders' general meeting. The staff representatives in the Board of Supervisors are elected by the staff of the Company through staff representatives' meeting, staff meeting or otherwise by democratic election.

The chairman of the Board of Supervisors of the Company shall have the qualifications recognized by the CSRC or its local branches before assuming office. The qualifications of the directors of the Company stipulated by the Articles of Association shall be applicable to the chairman of the Board of Supervisors of the Company.

The Board of Supervisors shall be accountable to the shareholders' general meeting and perform the following duties:

- to review the periodical reports of the Company prepared by the Board and to provide comments in writing;
- to inspect the financial position of the Company;
- to supervise the performance of the directors and senior management and to advise the dismissal of any director or senior management who violates the laws, administrative regulations, the Articles of Association or resolutions of the shareholders' general meetings;
- to demand rectification of the directors and senior management where their conducts are detrimental to the interests of the Company;
- to propose to convene an extraordinary general meeting and to convene and preside over the shareholders' general meeting if the Board fails to do so as required by the Company Law;
- to propose motions in a shareholders' general meeting;
- to formulate proposals on the remuneration of supervisors and payment method;
- to take legal actions against directors and senior management in accordance with the Company Law;
- to examine the financial information such as the financial reports, operating reports and distribution plans of profits to be submitted by the Board to the shareholders' general

meetings and to investigate any queries or irregularities of the Company. If necessary, the Board of Supervisors may engage professional institutions, such as accounting firms or law firms, to assist their work with expenses borne by the Company.

The Board of Supervisors shall convene at least one meeting every six months. An extraordinary meeting of the Board of Supervisors shall be convened if so proposed by the supervisors.

Board of Supervisors

The resolution made by the Board of Supervisors shall be approved by more than two-thirds of the members of the Board of Supervisors.

The Board of Supervisors shall make minutes and audio recording, if necessary, for the decisions of the matters discussed in the meetings. The minutes shall truly, accurately and completely record the meeting procedures, resolutions, opinion of supervisors and voting results. Supervisors attending the meeting and the recorders shall sign on the minutes.

Each supervisor shall be entitled to request that an explanation of his/her comments made at the meetings shall be recorded in the minutes. The minutes of the meetings of the Board of Supervisors shall be kept by the Company as archives for no less than 15years.

QUOLIFICATION AND DUTIES OF THE DIRECTORS, SUPERVISORS, GENERAL MANAGER AND OTHER SENIOR MANAGEMENT

In addition to the conditions as set out below, the following persons shall not serve as directors, supervisors, general manager or other senior management of the Company:

- persons without civil capacity or with limited civil capacity;
- persons who have committed offences relating to corruption, bribery, embezzlement, misappropriation of property or disruption of social economic order and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence, or who have been deprived of their political rights due to the commission of a criminal offense, where less than five years have elapsed since the date of restoring their political rights;
- persons who were former directors, factory managers or managers of a company or enterprise which was declared bankrupt and was liquidated and who were personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;
- persons who were legal representatives of a company or enterprise which had its business license revoked and operation closed down due to violation of the laws and who were personally liable, where less than three years have elapsed since the date of the revocation;
- persons who have a substantial amount of debts due and outstanding;
- persons who are prohibited from entering into the securities market by the CSRC for a period which has not yet expired;
- persons in charge of stock exchange, securities registration and clearing institutions or directors, supervisors, senior management of securities companies who were dismissed due to illegal or improper behavior, where less than five years have elapsed since the date of the removal;

- persons who have been convicted by the competent authority for violation of securities regulations and acting fraudulently or dishonestly, where less than five years have elapsed since the date of conviction;
- persons who were lawyers, certified public accountants or professionals of investment advisory institutions, financial consultancy institutions, credit rating institutions, assets evaluation or certification institutions and whose qualifications were revoked due to illegal or improper behavior, where less than five years have elapsed since the date of the revocation;
- government officers and other persons who are prohibited by laws and administrative regulations to concurrently take up posts in a company;
- persons who were subject to administrative penalties by the financial regulatory authority due to illegal or improper behavior, where less than three years have elapsed since the date of completion of the penalties;
- persons who are disqualified by the CSRC, where less than three years have elapsed since the date of disqualification;
- persons who are declared to be unfit by the CSRC, where less than two years have elapsed since the date of the declaration;
- persons who are prohibited from acting as a management member of a company by laws or administrative regulations;
- persons who are not natural persons;
- persons who are under investigation by legal authority due to criminal offences;
- other circumstances approved by the CSRC;
- other details specified by the laws, regulations, departmental rules and regulations, or listing rules of the place where the shares of the Company are listed.

Any election, delegation or appointment of director, supervisor, general manager or other senior management in contravention of this article shall be invalid. Any director, supervisor, general manager or other senior management falling into any of the circumstances set out in this article during his/her term of office shall be dismissed by the Company.

The validity of the conduct of directors, general manager or other senior management who act in good faith on behalf of the Company with respect to third parties shall not be affected by any irregularity in their appointment, election or qualification.

The directors, supervisors, general manager and other senior management of the Company shall perform their duties in accordance with the principle of fiduciary and shall not put themselves in a position where their duties and their interests may conflict. These principles include but not limited to the following:

- to act honestly in the best interests of the Company;
- to exercise powers within the scope of their powers;
- to exercise their discretion vested in them and not to allow themselves to act under the control of another and, unless and to the extent permitted by the laws, administrative regulations or with the consent of shareholders' general meeting, not to delegate others to exercise their discretion;

- to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- not to enter into any contract, transaction or arrangement with the Company unless otherwise provided by the Articles of Association or with the consent of shareholders' general meeting;
- not to use the Company's property for their own benefit without the consent of shareholders' general meeting;
- not to exploit their positions to accept bribes or other illegal income or expropriate the property of the Company by any means, including but not limited to opportunities advantageous to the Company;
- not to accept commissions in connection with the transactions of the Company without the consent of shareholders' general meeting;
- to abide by the Articles of Association, perform their official duties faithfully and protect the interests of the Company, and not to exploit their positions and powers in the Company for their own interests;
- not to compete with the Company in any way unless with the consent of shareholders' general meeting;
- not to misappropriate the Company's funds or lend such funds to others, not to open accounts in their own names or other names for the deposit of the assets of the Company and not to provide guarantee for debts of a shareholder of the Company or other individual(s) with the assets of the Company;
- unless otherwise permitted by shareholders' general meeting, to keep confidential the information acquired by them in the course of and during their tenure and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other government authorities is permitted if the disclosure is:

  (1) by order of the laws;

  (2) in the interests of the public;

  (3) in the interest of the relevant director, supervisor, general manager or other senior management.

The fiduciary duties of the directors, supervisors, general manager and other senior management of the Company do not cease with the termination of their tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as fairly required depending on the time lapse between the termination and the act concerned and the circumstances under which the relationships between them and the Company are terminated.

Where a director, supervisor, general manager and any other senior management of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (other than his/her contract of service with the Company), he/she shall declare the nature and extent of his/her interests to the Board as soon as possible, whether or not the related matters under normal circumstances is subject to the approval of the Board.

The Company shall not in any manner pay taxes on behalf of a director, supervisor, general manager and other senior management of the Company.

The Company shall not, directly or indirectly, make a loan or provide any guarantee for a loan to a director, supervisor, general manager and other senior management of the Company or the Company's parent company or any of their respective associates. The prohibition mentioned in the preceding paragraph shall not apply to the following circumstances:

- a loan or a guarantee for a loan by the Company to its subsidiaries;
- a loan or a guarantee for a loan or other funds to any of its directors, supervisors, general manager and other senior management by the Company to meet expenditure incurred or to be incurred by him/her in the interests of the Company or for the purpose of enabling him/her to perform duties for the Company in accordance with the terms of an employment contract approved by the shareholders' general meeting;
- The Company can make a loan or provide any guarantee for a loan to a director, supervisor, general manager and other senior management of the Company in the ordinary course of business, providing that the conditions for the loan and the guarantee shall be on normal commercial terms.

A loan made by the Company, regardless of its conditions, in breach of the aforesaid regulations shall be repaid immediately by the recipient of the loan.

In addition to the rights and remedies provided by the laws and administrative regulations, where a director, supervisor, general manager and other senior management of the Company is in breach of his/her duties to the Company, the Company has the right to:

- claim damages from such director, supervisor, general manager and other senior management for losses incurred to the Company as a result of his/her dereliction of duty;
- rescind any contract or transaction entered into by the Company with the director, supervisor, general manager and other senior management or with a third party (where such third party knows or should have known that there is a breach of duties of such director, supervisor, general manager and other senior management);
- require the director, supervisor, general manager and other senior management to surrender the profits made due to a breach of duties;
- recover any money received by the director, supervisor, general manager and other senior management which should have been received by the Company, including but not limited to commissions;
- require the payment of interest earned or which may have been earned by the director, supervisor, general manager and other senior management on the money that should have been paid to the Company.

The Company shall enter into written contracts on issues regarding the remuneration with the directors and supervisors, and submit such contracts to the shareholders' general meeting for approval. The directors or supervisors of the Company shall have the right to obtain compensation or other funds for the loss of their positions as directors or supervisors or for retirement, subject to prior approval of the shareholders' general meeting.

FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial and Accounting Systems

The Company shall establish its financial and accounting systems in accordance with the laws and administrative regulations and the requirements of the relevant governmental authorities.

In addition to the PRC accounting standards and regulations, the financial statements of the Company shall also be prepared in accordance with the international accounting standards or the accounting standards of the place outside the PRC where the shares of the Company are listed. Any material discrepancy between the financial statements prepared in accordance with two different accounting standards shall be explained in the notes to the financial statements. Distribution of profits after tax of the relevant financial year shall be based on the lower of the profits after tax shown in the two financial statements mentioned above.

Interim results or financial information published or disclosed by the Company shall be prepared in accordance with PRC accounting standards and regulations as well as international accounting standards or the accounting standards of the place outside the PRC where the shares of the Company are listed.

The Company shall publish its financial report twice for every financial year. The interim results shall be published within 60 days from the first six months of the end of the financial year. The annual financial report shall be published within 120 days from the end of the financial year. If there is any requirements of the securities regulatory authority in the place where the shares of the Company are listed, such requirements shall apply.

The Board shall submit financial reports prepared by the Company as required by applicable laws, regulations, rules and regulative documents in each annual general meeting.

The Company shall not keep accounts other than those required by laws. The assets of the Company shall not be kept under the name of any individual.

Profit Distribution

The Company shall contribute its profit after tax to the general risk reserve at the specific proportion as stipulated by the CSRC. When the aggregate statutory surplus reserve fund has reached 50% or more of the registered capital, the Company may cease to make any further contribution.

10% of the profit after tax shall be contributed to transaction risk reserve to recover losses arising from securities transactions.

In the distribution of the profit after tax of the year, 10% of the profit shall be contributed to statutory reserve of the Company. When the aggregate statutory reserve of the Company has reached 50% or more of the registered capital, the Company may cease to make further contribution.

Where the statutory reserve is insufficient to recover the losses for the previous year, the losses shall be made up by the profit of that year before using the statutory reserves as stipulated above.

Subject to the resolution of shareholders' general meeting, the Company may also appropriate fund to discretionary surplus reserve from profit after tax upon the appropriate of fund to statutory reserve from profit after tax.

The profit after tax, after recovery of losses and appropriation of reserve fund, shall be distributed to shareholders in proportion to their shareholdings, unless otherwise provided by the Articles of Association.

If a shareholders' general meeting violates the provisions in the preceding paragraph and profits are distributed to the shareholders before the Company making up losses and making allocations to the statutory reserve fund, the profits distributed in violation of the provisions shall be returned to the Company.

The gain in fair value of the distributable profit of the Company shall not be distributed to shareholders by cash.

No profit shall be distributed in respect of the shares of the Company which are held by the Company.

The reserves of the Company shall be applied to make up accumulated losses, to expand the production and operation of the Company or to increase the capital of the Company, provided that the capital reserve shall not be applied to make up losses of the Company. Capital reserves shall include:

- premium on shares issued at premium;
- any other income required to be allocated to the capital reserve by the finance regulatory department of the State Council.

The statutory surplus reserve after capitalization shall not be less than 25% of the registered capital of the Company before the capitalization.

After the profit distribution plan has been adopted at shareholders' general meeting, the Board shall complete the dividend (or share) distribution within two months after the end of the shareholders' general meeting.

The profit distribution policy of the Company shall be as follows: the Company places a great emphasis on the reasonable investment returns of its investors and aims to implement a sustainable and stable profit distribution policy. The profit distributed by the Company shall not exceed its accumulated distributable profit, and the distribution shall not harm its ongoing operation. The Company may distribute its dividends in cash, shares or a combination of both. Unless the Company is unable to fulfill regulatory requirements on net capital due to major investment or major cash expenses plans for the next 12 months, the Company shall, when the accumulated undistributed profits are positive, distribute its profits of the year in cash. The Company shall also distribute interim dividends when the profit distributed in aggregate in cash in the past three years is not less than 30% of distributable profit for the same period with the approval of shareholders' general meeting which is convened at the request of the Board. Depending on its profitability and cash flow for the year, the Company may distribute profits by way of shares provided that the minimum cash dividend payout ratio and the reasonable size of share capital can be maintained.

The decision-making procedures of the profit distribution plan of the Company shall be as follows: the profit distribution plan of the Company shall be made by the Board of the Company in accordance with the laws, regulations, relevant regulatory documents and the Articles of Association, taking into consideration earnings, capital requirement and proposed returns for shareholders of the Company. Independent opinions shall also be sought from independent directors. The plan shall be submitted to shareholders' general meeting for consideration and approval after being adopted by the Board. When considering the specific plan for profit distribution, the shareholders' general meeting shall take the initiative to communicate and interact with shareholders, particularly minority shareholders, through various channels to ensure the rights for the general public to participate in the shareholders' general meeting. Opinions and requests of minority shareholders shall be fully considered and addressed in a timely manner at the shareholders' general meeting.

The decision-making procedures of the profit distribution policy of the Company are as follows: the Company shall adjust its profit distribution policy in the interest of shareholders with detailed argumentation and explanation in the event that the adjustments have to be made due to changes in the external business environment or significant changes of its operation. The adjusted profit distribution policy shall not violate any applicable requirements stipulated by the CSRC, stock exchanges and the Articles of Association. The proposal regarding the adjustments in the profit distribution policy shall be prepared by the Board. The independent directors shall give independent opinions on the adjustments in the profit distribution policy which shall be submitted to shareholders' general meeting for consideration and approval after being adopted by the Board. The Board of Supervisors shall consider the adjusted profit distribution policy proposed by the Board and the opinions of external supervisors of the Company before adopting the adjustments with votes of more than half of the members of the Board of Supervisors. The shareholders' general meeting shall fully consider the opinions from the public shareholders on the adjusted profit distribution policy. Apart from a physical voting venue, an online voting system shall also be available to shareholders for voting on the proposal which shall be passed by no less than two-thirds of the voting rights represented by the shareholders present at the shareholders' general meeting.

The Company shall disclose in details the formulation and implementation of cash dividend distribution in its regular reports.

In the event of misappropriation of funds of the Company by any shareholders, the Company shall deduct the cash dividends attributable to such shareholders to such extent as to repay the above funds.

The welfare funds and incentive funds of employees of the Company shall be based on the performance of the Company and shall be expensed as cost and non-taxable according to certain proportion of the total profit as determined by the Board.

Any amount paid up on any shares before a call is confirmed by the Company shall be entitled to dividends thereon, except for any dividends declared thereafter.

Subject to the relevant laws, regulations, rules and regulative documents, the Company may confiscate any unclaimed dividends after the expiry of the applicable term of validity.

If dividend warrants have been left uncashed on two consecutive occasions, the Company shall be entitled to stop sending dividend warrants to holders of overseas-listed foreign-invested shares by post. However, such power may be exercised after the first occasion on which such a warrant is returned and undelivered.

The Company shall have the power to sell, in such manner as the Board thinks fit, any overseas-listed foreign-invested shares of a holder who is untraceable subject to the following conditions:

- the Company has distributed dividends at least three times in respect of such shares within 12 years, but none of such dividends was claimed;

- the Company, after the expiration of a period of 12 years, made an announcement in one or more newspapers in the place in which the Company is listed, stating its intention to sell such shares, and notify the securities regulatory authority of the place in which the Company is listed of such intention.

Where the Company is granted the power to confiscate any unclaimed dividends, the power shall not be exercised until at least six years following the date that the dividends are declared.

The Company shall appoint receiving agents on behalf of the holders of overseas-listed foreign-invested shares to receive, on behalf of the relevant shareholders, the dividends declared and all other receivables.

The receiving agents appointed for holders of overseas-listed foreign-invested shares listed in the Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Internal Audits

The Company shall adopt an internal audit system and designate auditors to supervise the internal audits of incomes and expenses as well as the business activities of the Company.

The internal audit system of the Company and the duties of auditors shall come into effect upon the approval of the Board. The person in charge of audits shall be accountable to and report to the Board.

Appointment of Accounting Firm

The Company shall appoint an accounting firm which is qualified for securities related business to audit the financial statements, verify the net assets, audit the risk control indicators and provide other relevant consultancy services. The accounting firm appointed by the Company shall hold office for a period of one year subject to renewal.

The appointment of the accounting firm shall be decided by shareholders at the shareholders' general meeting and the Board shall not appoint any accounting firm before the decision is made by shareholders at the shareholders' general meeting.

The accounting firm appointed by the Company shall have the following rights:

- to review the books, records or vouchers of the Company at any time, and to require the directors, general manager or other senior management of the Company to supply relevant information and explanations;
- to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanation as are necessary for the discharge of the duties of accounting firm;
- to attend shareholders' general meetings and to receive all notices of, and other information relating to, any shareholders' general meeting to which any shareholder shall also be entitled, and to speak at any shareholders' general meeting in relation to matters concerning its role as the accounting firm of the Company.

Notwithstanding the terms set out in the contract between the Company and the accounting firm, shareholders at a shareholders' general meeting may, by way of ordinary resolution, remove the accounting firm before the expiration of its term of office, but without prejudice to the right of the firm to claim for damages in respect of such removal.

The remuneration of the accounting firm or the way in which the firm is to be remunerated shall be determined by the shareholders' general meeting. The remuneration of the accounting firm appointed by the Board shall be determined by the Board.

A 30-day prior notice shall be given to the accounting firm if the Company decides to remove such accounting firm or not to renew the appointment. The accounting firm shall be entitled to make representations when the resolution regarding the removal of the accounting firm is considered at the relevant shareholders' general meeting.

If an accounting firm resigns from its position, it shall make representations to the shareholders' general meeting whether there has been any impropriety on the part of the Company.

An accounting firm may resign its office by depositing a written resignation notice at the legal address of the Company. Resignation of the accounting firm shall become effective on the date of such deposit or on such later date stipulated in such notice. Such notice shall contain the following statements:

- a statement to the effect that there are no circumstances in connection with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or
- a statement of any other circumstances requiring an explanation.

If the notice of resignation of accounting firm contains a statement in respect of any circumstances requiring an explanation, it may require the Board to convene an extraordinary general meeting for the purpose of receiving an explanation of the circumstances in connection with its resignation.

NOTICES AND ANNOUNCEMENTS

Notices of the Company shall be delivered by the following means:

- by hand;
- by mail;
- by fax or email;
- subject to laws, administrative regulations, departmental rules, regulative documents, applicable regulations of relevant regulatory authorities, the Articles of Association and the listing rules of the place in which the shares of the Company are listed, by publishing information on the website of the Company or any such website as designated by the stock exchanges;
- by announcement;
- by other means as stipulated in the Articles of Association;
- by other means agreed by the Company or the addressees in advance or other means as approved by the addressees after receipt of the notices;

- by other means recognized by regulatory authorities of the place in which the shares of the Company are listed or required by the Articles of Association.

Where a notice is served by way of announcement, upon the publication of such announcement, all relevant persons shall be deemed to have received the notice.

The Company may send only the English or the Chinese version of any corporate documents to its shareholders if it has properly confirmed with the shareholders on such arrangement in accordance with and to the extent permitted by applicable laws and regulations even when corporate documents are required to be sent, distributed, given, published or otherwise provided in both English and Chinese under the listing rules of the place in which the shares of the Company are listed.

If a notice of meeting is not sent to a person who is entitled to receive the notice by accident or if such person has not received the notice of meeting, the meeting and any resolutions made therein shall not become void thereby.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

The merger or division of the Company shall be proposed by the Board and the proposal shall be submitted to the shareholders' general meeting for approval in accordance with the procedures set out in the Articles of Association. Approval for merger or division shall be sought in accordance with the relevant legal requirements. A shareholder who disagrees with the proposed merger or division shall have the right to demand the Company or the consenting shareholders to acquire his shares at a fair price.

Where there is a merger of the Company, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of the merger resolution and shall publish an announcement in newspapers or by other means within 30 days from the date of the merger resolution. The creditors may, within 30 days after receipt of notice or, if the creditors do not receive such notice, within 45 days of the announcement, demand the Company to repay in full or to provide a guarantee. Upon merger, the credits and liabilities of each of the merged parties shall be assumed by the surviving party or the newly established company. Where there is a division of the Company, its assets shall be divided accordingly.

Where there is a division of the Company, it shall prepare a balance sheet and inventory of assets. The Company shall notify its creditors within 10 days from the date of the division resolution and shall publish an announcement in newspapers or by other means within 30 days from the date of the division resolution. Unless a written agreement has been entered into by the Company and its creditors in relation to the repayment of debts before division, liabilities of the Company prior to the division shall be jointly assumed by the surviving companies after the division.

Where the Company is required to reduce its registered capital, it shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of the resolution for reduction of capital and shall publish an announcement in newspapers or by other means within 30 days from the date of such resolution. A creditor has the right within 30 days after receipt of the notice or, in the case of a creditor who does not receive such notice, within 45 days of the date of the announcement, to demand the Company to repay its debts or to provide a guarantee for such debt. The registered capital of the Company after reduction shall not be less than the statutory minimum amount.

The Company shall apply for change in its registration with the company registration authority in the event of any change in any particulars in its registration as a result of any merger or division. Where the Company is dissolved, the Company shall apply for cancellation of its registration. Where a new company is established, the Company shall apply for registration.

Dissolution and Liquidation

The Company shall be dissolved upon the occurrence of any of the following events:

- the terms of operation stipulated in the Articles of Association have expired or any other causes of dissolution set out in the Articles of Association have occurred;
- a resolution on dissolution is passed by shareholders at a shareholders' general meeting;
- dissolution is required due to the merger or division of the Company;
- the Company is declared bankrupt due to its failure to repay debt due;
- the business license of the Company is revoked or the Company is ordered to close down or de-registered;
- where the Company gets into serious trouble in operation and management and its continuation may cause substantial loss in shareholders' interests, and no solution can be found through any other channel, shareholders representing more than 10% of the total voting rights of the Company may request the People's Court to dissolve the Company.

Upon the occurrence of the first situation described above, the Company may continue to exist by amending the Articles of Association. If the Company is being dissolved under the first, second or sixth circumstance described above, a liquidation committee shall be set up within 15 days of the occurrence of the events to proceed with the liquidation. Members of the liquidation committee shall be directors or persons appointed by the shareholders' general meeting, and shall be determined by shareholders' general meeting by way of ordinary resolution. If a liquidation committee is not set up within the specified period, the creditors may apply to the People's Court for appointment of relevant persons to form a liquidation committee.

Upon passing of the resolution at shareholders' general meeting for the liquidation of the Company, all functions and powers of the Board shall be ceased.

The liquidation committee shall perform the following duties:

- to check the assets of the Company and prepare a balance sheet and an inventory of assets;
- to notify the creditors by notice or announcement;
- to deal with and settle the outstanding affairs of the Company;
- to settle outstanding taxes as well as taxes arising in the course of liquidation;
- to settle all creditors' rights and debts;
- to dispose of the remaining assets of the Company after the settlement of debts;
- to represent the Company in any civil proceedings.

The liquidation committee shall notify the creditors within 10 days from the date of its establishment and make public announcement in newspapers or through other channels within 60 days of its establishment. Creditors shall declare their claims to the liquidation committee within 30 days after receipt of the notice, or within 45 days from the date of the announcement if they do not receive the notice.

Creditors shall provide explanation for the relevant particulars and evidence of the claims upon declaration of such claims. The liquidation team shall register the creditors' claims.

The liquidation committee shall not settle the debts to creditors until the expiry of the period for declaration of claims.

After checking the assets of the Company and preparing a balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan for the confirmation of shareholders' general meetings or the People's Court.

The remaining properties of the Company, after payment of liquidation expenses, wages, social insurance contribution and statutory compensation of staff, and taxes and debts of the Company, shall be distributed to shareholders in proportion to their shareholdings.

During the liquidation period, the Company shall continue to exist but shall not carry out any business activities not relating to liquidation. The assets of the Company shall not be distributed to shareholders before the settlement of debts in accordance with the preceding article.

If the liquidation committee, after checking the assets of the Company and preparing a balance sheet and an inventory of assets, discovers that its assets are insufficient to settle its debts, it shall immediately apply to the People's Court for a declaration of bankruptcy.

After the Company is declared bankrupt by the People's Court, the liquidation committee shall hand over the liquidation matters to the People's Court.

Upon completion of liquidation, the liquidation committee shall prepare a liquidation report and a statement of the receipts and payments and the financial accounts for the liquidation period which shall have been audited by PRC certified public accountants for the approval of the shareholders' general meeting or the People's Court. The liquidation committee shall submit the aforesaid documents to the company registration authority, apply for de-registration of the Company, and announce the closure of the Company within 30 days after approval is obtained from the competent authorities.

AMENDMENTS OF THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association in any of the following situations:

- there is a conflict between the Articles of Association and the laws and administrative regulations after the amendment to the Company Law or applicable laws and administrative regulations;
- there are changes in the Company rendering the Articles of Association incorrect;
- the shareholders' general meeting resolves to amend the Articles of Association.

Where the amendments to the Articles of Association passed by the shareholders' general meetings require approval of the competent authorities, the amendments shall be submitted to the relevant authorities for approval. If the amendment involves any registered particulars, application shall be made for change of registration.

SETTLEMENT OF DISPUTES

The Company shall follow the following rules for settlement of disputes:

- All disputes and claims between shareholders of overseas-listed foreign-invested shares and the Company, between shareholders of overseas-listed foreign-invested shares and directors, supervisors and senior management of the Company, or between shareholders of overseas-listed foreign-invested shares and other shareholders arising from the Articles of Association or any rights or obligations conferred or imposed by the Company Law or any other applicable laws and administrative regulations concerning the affairs of the Company shall be referred by the relevant parties to arbitration.
- Where a dispute or claim is referred to arbitration, the dispute or claim shall be referred to arbitration as a whole. All parties which have the same cause of action, or are required to participate in the settlement of the dispute or claim, such parties shall be subject to the arbitration if such parties are the Company or the shareholders, directors, supervisors, general manager or other senior management of the Company.

Disputes in relation to the identification of shareholders and register of shareholders need not to be resolved by arbitration.

- A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its Arbitration Rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

- If any disputes or claims of rights are settled by way of arbitration in accordance with subparagraph (1) of this article, the laws of the People's Republic of China shall apply, except as otherwise provided in the laws, regulations, rules and regulative documents.
- The award of an arbitration body shall be final, and conclusive and shall be binding on all parties.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

The predecessor of our Company, Jiangsu Securities Company was established on April 9, 1991. On December 21, 1999, we were converted into a limited liability company and renamed as Huatai Securities Limited Liability Company. On December 7, 2007, we were converted into a joint stock limited liability company and renamed as Huatai Securities Co., Ltd. Our registered office is located at No. 90 East Zhongshan Road, Nanjing City, Jiangsu Province, PRC.

We have established a place of business in Hong Kong at 42/F, The Center, 99 Queen's Road Central, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 16, 2014 under the English corporate name of "Huatai Securities Co., Ltd." and Chinese corporate name of "華泰證券股份有限公司", which we subsequently changed to the name of "華泰六八八六股份有限公司" as approved by the Registrar of Companies pursuant to section 782 of the Companies Ordinance on May 5, 2015. Ms. Lai Fong Cheung has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices IV and V to this prospectus.

B. Changes in the Share Capital of Our Company

As approved by the CSRC, the Company issued 784,561,275 A Shares which have been listed on the Shanghai Stock Exchange since February 26, 2010. Immediately following the A Shares Offering, the registered capital of the Company was increased from RMB4,815,438,725 to RMB5,600,000,000.

There has been no alteration in our registered capital since our listing on the Shanghai Stock Exchange.

Upon completion of the Global Offering and after the conversion of A Shares to H Shares and the transfer to NSSF, but without taking into account any exercise of the Over-allotment Option, our registered capital will increase to RMB7,000,000,000, comprising 5,460,000,000 A Shares and 1,540,000,000 H Shares fully paid up or credited as fully paid up, representing approximately 78% and 22% of our registered capital, respectively.

C. Written Resolutions Passed by Our Shareholders

Pursuant to the extraordinary shareholders' meeting held on December 11, 2014, the following resolutions, among others, were duly passed:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued shall not be more than 20% of the total issued share capital of our Company as enlarged by the Global Offering, and the grant to the Joint Bookrunners the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;

(c) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on Listing Date; and

(d) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

D. Further Information about Our Subsidiaries

The list of our principal subsidiaries (as defined under the Hong Kong Listing Rules) as at December 31, 2014 is set out under the financial statements in the Accountant's Report as included in Appendix I to this prospectus. Save as disclosed below, there has been no alteration in the share capital of any of our principal subsidiaries within the two years immediately preceding the date of this prospectus.

(a) Huatai Great Wall Futures Co., Ltd

The registered capital of Huatai Great Wall Futures Co., Ltd was increased from RMB600 million to RMB809 million on December 31, 2013.

(b) Huatai Zijin Investment Co., Ltd

The registered capital of Huatai Zijin Investment Co., Ltd was increased from RMB500 million to RMB600 million on April 8, 2014; and from RMB600 million to RMB1.1 billion on January 30, 2015.

(c) Huatai Financial Holdings (Hong Kong) Limited

The registered capital of Huatai Financial Holdings (Hong Kong) Limited was increased from HK$500 million to HK$700 million on April 16, 2013; and from HK$700 million to HK$1 billion on June 17, 2014.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus which are or may be material and a copy of each has been delivered to the Registrar for registration:

(a) Non-competition and conflict of interest undertaking dated June 27, 2014 executed by Jiangsu Guoxin in relation to, among others, certain non-competition undertakings given by Jiangsu Guoxin to us and other Shareholders of our Company;

(b) the cornerstone investment agreement dated May 16, 2015, entered into between Gaoling Fund, L.P., YHG Investment, L.P., Huatai Financial Holdings, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities Plc, J.P. Morgan Securities (Far East) Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited and the Company, pursuant to which Gaoling Fund, L.P. and YHG Investment, L.P. agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the respective amount of Hong Kong dollars equivalent of US$192,134,000 and US$7,866,000 (in the aggregate amount of Hong Kong dollars equivalent of US$200 million) at the Offer Price;

(c) the cornerstone investment agreement dated May 16, 2015, entered into between OZ Master Fund, Ltd., Gordel Capital Limited, OZEA, L.P., OZ Global Equity Opportunities Master Fund, Ltd., OZ Asia Master Fund, Ltd., OZ Eureka Fund, L.P., OZC Global Equities Master Fund, L.P., OZ Enhanced Master Fund, Ltd. and OZ ELS Master Fund, Ltd. (collectively, the "**OZ Funds**"), Huatai Financial Holdings, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities Plc, J.P. Morgan Securities (Far East) Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited and the Company, pursuant to which the OZ Funds agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$100 million at the Offer Price;

(d) the cornerstone investment agreement dated May 16, 2015, entered into between NetEase (Hong Kong) Limited, Sino Intelligence Limited, Huatai Financial Holdings, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities Plc, J.P. Morgan Securities (Far East) Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited and the Company, pursuant to which NetEase (Hong Kong) Limited and Sino Intelligence Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the respective amount of Hong Kong dollars equivalent of US$150 million and US$50 million (in the aggregate amount of Hong Kong dollars equivalent of US$200 million) at the Offer Price;

(e) the cornerstone investment agreement dated May 16, 2015, entered into between Advance Data Services Limited, Huatai Financial Holdings, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities Plc, J.P. Morgan Securities (Far East) Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited, Credit Suisse (Hong Kong) Limited and the Company, pursuant to which Advance Data Services Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$100 million at the Offer Price;

(f) the cornerstone investment agreement dated May 16, 2015, entered into between Fubon Life Insurance Co., Ltd., Huatai Financial Holdings, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities Plc, J.P. Morgan Securities (Far East) Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited and the Company, pursuant to which Fubon Life Insurance Co., Ltd. agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$200 million at the Offer Price;

(g) the cornerstone investment agreement dated May 16, 2015, entered into between Value Partners Hong Kong Limited, Huatai Financial Holdings, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities Plc, J.P. Morgan Securities (Far East) Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited and the Company, pursuant to which Value Partners Hong Kong Limited agreed to procure certain investment funds or managed accounts to subscribe for (and failing which Value Partners Hong Kong Limited would subscribe for) such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$150 million at the Offer Price;

(h) the cornerstone investment agreement dated May 16, 2015, entered into between New China Asset Management (Hong Kong) Limited, Huatai Financial Holdings, J.P. Morgan

Securities (Asia Pacific) Limited, J.P. Morgan Securities Plc, J.P. Morgan Securities (Far East) Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited and the Company, pursuant to which New China Asset Management (Hong Kong) Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$200 million at the Offer Price;

(i) the cornerstone investment agreement dated May 16, 2015, entered into between ICBC Asset Management Scheme Nominee, Huatai Financial Holdings, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities Plc, J.P. Morgan Securities (Far East) Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited, ICBC International Capital Limited and the Company, pursuant to which ICBC Asset Management Scheme Nominee agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$200 million at the Offer Price;

(j) the cornerstone investment agreement dated May 16, 2015, entered into between Ping An Asset Management Co., Ltd., Huatai Financial Holdings, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities Plc, J.P. Morgan Securities (Far East) Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited and the Company, pursuant to which Ping An Asset Management Co., Ltd. agreed to (in its capacity as the entrusted manager to, and for and on behalf of the asset management product) subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$100 million at the Offer Price;

(k) the cornerstone investment agreement dated May 16, 2015, entered into between Gopher Opportunity IV GP Limited, Gopher Asset Management Co., Ltd., Huatai Financial Holdings, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities Plc, J.P. Morgan Securities (Far East) Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited and the Company, pursuant to which Gopher Opportunity IV GP Limited and Gopher Asset Management Co., Ltd. agreed to procure subscription for (and failing which themselves would subscribe for) such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$200 million at the Offer Price;

(l) the cornerstone investment agreement dated May 16, 2015, entered into between Glow Land International Limited, Huatai Financial Holdings, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities Plc, J.P. Morgan Securities (Far East) Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited and the Company, pursuant to which Glow Land International Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$100 million at the Offer Price;

(m) the cornerstone investment agreement dated May 16, 2015, entered into between Cinda Sinorock Global Portfolio Limited Partnership I, Huatai Financial Holdings, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities Plc, J.P. Morgan Securities (Far East) Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited and the Company, pursuant to which Cinda Sinorock Global Portfolio Limited Partnership I agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$100 million at the Offer Price;

(n) the cornerstone investment agreement dated May 16, 2015, entered into between Myriad Opportunities Master Fund Limited, Huatai Financial Holdings, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities Plc, J.P. Morgan Securities (Far East) Limited, UBS AG Hong Kong Branch, UBS Securities Hong Kong Limited and the Company, pursuant to which Myriad Opportunities Master Fund Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$50 million at the Offer Price; and

(o) Hong Kong Underwriting Agreement (as more specifically described in the section headed "Underwriting—Underwriting Arrangements and Expenses—The Hong Kong Public Offering—Hong Kong Underwriting Agreement" in this prospectus.

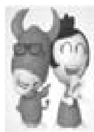
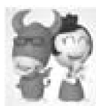
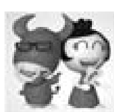
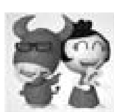
B. Our Intellectual Property Rights

As of the Latest Practicable Date, our Company has registered or has applied for the following intellectual property rights which are material in relation to our Company's business.

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which we consider to be material in relation to our business:

Trademark registered	Trademark registration no.	Registered Owner	Class	Place of registration	Duration
华 泰	7190822	The Company	36	PRC	2015.4.14-2025.4.13
	1109408	The Company	36	PRC	2007.09.21-2017.09.20
HTZQ	4419820	The Company	36	PRC	2008.07.14-2018.07.13
华泰紫金贵宾	6818552	The Company	36	PRC	2011.01.07-2021.01.06
华泰紫金理财大讲堂	10887961	The Company	36	PRC	2013.08.14-2023.08.13
华泰在线	7152163	The Company	36	PRC	2011.02.21-2021.02.20
涨乐	7983518	The Company	42	PRC	2011.02.28-2021.02.27
涨乐	7980955	The Company	36	PRC	2011.03.21-2021.03.20

Trademark registered	Trademark registration no.	Registered Owner	Class	Place of registration	Duration
华泰紫金	7509244	The Company	36	PRC	2010.11.07-2020.11.06
紫金理财生活	6918244	The Company	16	PRC	2010.10.14-2020.10.13
	9547666	The Company	38	PRC	2012.06.28-2022.06.27
	9544348	The Company	35	PRC	2012.06.28-2022.06.27
华泰投资有道	7180007	The Company	16	PRC	2010.11.14-2020.11.13
涨乐	7980961	The Company	38	PRC	2011.03.21-2021.03.20
	9547739	The Company	42	PRC	2012.08.07-2022.08.06
	9544390	The Company	36	PRC	2012.06.28-2022.06.27
华泰财经	7180006	The Company	16	PRC	2010.12.07-2020.12.06
涨乐	7980945	The Company	35	PRC	2011.03.07-2021.03.06
华泰联合证券	8056773	Huatai United Securities Co., Ltd	38	PRC	2011.04.07-2021.0406
华泰联合证券	8056841	Huatai United Securities Co., Ltd	42	PRC	2011.10.21-2021.10.20
UNITED SECURITIES	1255896	Huatai United Securities Co., Ltd	36	PRC	2009.03.14-2019.03.13
华泰联合证券	8056727	Huatai United Securities Co., Ltd	36	PRC	2014.03.14-2024.03.13

Trademark registered	Trademark registration no.	Registered Owner	Class	Place of registration	Duration
	1237893	Huatai United Securities Co., Ltd	41	PRC	2009.01.07-2019.01.06
	1227953	Huatai United Securities Co., Ltd	36	PRC	2008.11.28-2018.11.27
联合	1237890	Huatai United Securities Co., Ltd	41	PRC	2009.01.07-2019.01.06
	1243950	Huatai United Securities Co., Ltd	35	PRC	2009.01.28-2019.01.27
联合证券	1255897	Huatai United Securities Co., Ltd	36	PRC	2009.03.14-2019.03.13
华泰联合证券	8056687	Huatai United Securities Co., Ltd	35	PRC	2012.03.07-2022.03.06

As of the Latest Practicable Date, we have registered the following trademarks the registration of which has not yet been granted:

Trademark	Application no.	Applicant	Class	Place of registration	Date of application
涨乐财富通	15122973	The Company	42	PRC	2014.08.08
涨乐财富通	15122840	The Company	36	PRC	2014.08.08
华泰联合证券	13128185	Huatai United Securities Co., Ltd	36	PRC	2013.08.23
华泰联合证券	13128678	Huatai United Securities Co., Ltd	41	PRC	2013.08.23
华泰长城	13093800	Huatai Great Wall Futures Co., Ltd	41	PRC	2013.08.16
华泰长城	13093757	Huatai Great Wall Futures Co., Ltd	36	PRC	2013.08.16
华泰长城	13093363	Huatai Great Wall Futures Co., Ltd	36	PRC	2013.08.16

Trademark	Application no.	Applicant	Class	Place of registration	Date of application
	13543762	Jiangsu Equity Trading Center Co., Ltd	36	PRC	2013.11.14
江苏股权交易中心 JIANGSU EQUITY EXCHANGE	13543664	Jiangsu Equity Trading Center Co., Ltd	35	PRC	2013.11.14
	13543633	Jiangsu Equity Trading Center Co., Ltd	35	PRC	2013.11.14
江苏股权交易中心 JIANGSU EQUITY EXCHANGE	13543815	Jiangsu Equity Trading Center Co., Ltd	36	PRC	2013.11.14
HTSC	16234501	The Company	36	PRC	2015.01.26
HTSC	16234605	The Company	35	PRC	2015.01.26
	303221135	The Company	36/35	HK	2014.12.02
HTSC	303252302	The Company	36/35	HK	2014.12.29
HTSC	303281265	The Company	36/35	HK	2015.01.26

Domain Names

As of the Latest Practicable Date, we have registered the following domain names:

Domain name	Registered Owner	Place of registration	Date of registration	Expiry Date
www.zijinlicai.com	The Company	PRC	2009.10.30	2018.10.30
www.zijinlicai.com.cn	The Company	PRC	2009.10.30	2018.10.30
www.zijinlicai.cn	The Company	PRC	2009.10.30	2018.10.30
www.zijinlicai.net	The Company	PRC	2009.10.30	2018.10.30
www.zhangleba.com	The Company	PRC	2009.10.30	2018.10.30
www.zhangleba.cn	The Company	PRC	2009.10.30	2018.10.30
www.zhangleba.com.cn	The Company	PRC	2009.10.30	2018.10.30
www.zhangleba.net	The Company	PRC	2009.10.30	2018.10.30
www.htsc.cn	The Company	PRC	2003.3.17	2018.10.30
www.htzq.cn	The Company	PRC	2003.3.17	2018.3.17
www.zhangle.com	The Company	PRC	2002.3.26	2015.3.26
www.chinatai.com	The Company	PRC	2009.3.5	2016.3.6
www.chinatai.com.cn	The Company	PRC	2009.2.26	2017.2.26
www.ht95597.net	The Company	PRC	2008.3.7	2018.3.17

Domain name	Registered Owner	Place of registration	Date of registration	Expiry Date
www.ht95597.cn	The Company	PRC	2008.3.7	2018.3.17
www.ht95597.com.cn	The Company	PRC	2008.3.7	2018.3.17
www.ht95597.com	The Company	PRC	2008.3.7	2018.3.17
www.htzq.com.cn	The Company	PRC	2001.1.4	2019.1.4
www.htsc.com.cn	The Company	PRC	1999.12.29	2018.12.29
htsham.com/htsham.com.cn	The Company	PRC	2014.3.19	2019.3.19
htzqzg.com/htzqzg.com.cn	The Company	PRC	2014.3.19	2019.3.19
htsc.com	The Company	PRC	2014.8	2024.8
紫金理财.cn	The Company	PRC	2009.10.30	2018.10.30
紫金理财.com	The Company	PRC	2009.10.30	2018.10.30
紫金理财.net	The Company	PRC	2009.10.30	2018.10.30
紫金理财.网.	The Company	PRC	2009.10.30	2018.10.30
紫金理财.公司	The Company	PRC	2009.10.30	2018.10.30
紫金理财网.cn	The Company	PRC	2009.10.30	2018.10.30
紫金理财网.com	The Company	PRC	2009.10.30	2018.10.30
紫金理财网.net	The Company	PRC	2009.10.30	2018.10.30
紫金理财网.网络	The Company	PRC	2009.10.30	2018.10.30
紫金理财网.公司	The Company	PRC	2009.10.30	2018.10.30
华泰在线.cn	The Company	PRC	2009.10.30	2018.10.30
华泰在线.com	The Company	PRC	2009.10.30	2018.10.30
华泰在线.net	The Company	PRC	2009.10.30	2018.10.30
华泰在线.网络	The Company	PRC	2009.10.30	2018.10.30
华泰在线.公司	The Company	PRC	2009.10.30	2018.10.30
华泰.公司	The Company	PRC	2009.10.30	2018.10.30
华泰.网络	The Company	PRC	2009.10.30	2018.10.30
涨乐.com	The Company	PRC	2009.10.30	2018.10.30
涨乐.net	The Company	PRC	2009.10.30	2018.10.30
涨乐.cn	The Company	PRC	2009.10.30	2018.10.30
涨乐吧.cn	The Company	PRC	2009.10.30	2018.10.30
涨乐吧.net	The Company	PRC	2009.10.30	2018.10.30
涨乐吧.com	The Company	PRC	2009.10.30	2018.10.30
华泰紫金.中国	The Company	PRC	2011.7.6	2021.7.6
华泰紫金.公司	The Company	PRC	2014.8.20	2021.8.20
华泰紫金.com	The Company	PRC	2011.6.27	2021.6.27
华泰紫金.net	The Company	PRC	2011.6.27	2021.6.27
华泰证券股份有限公司.com	The Company	PRC	2011.6.29	2019.6.29

Domain name	Registered Owner	Place of registration	Date of registration	Expiry Date
华泰长城期货.com	Huatai Great Wall Futures Co., Ltd	PRC	2012.8.21	2015.9.7
华泰长城.com	Huatai Great Wall Futures Co., Ltd	PRC	2012.8.21	2015.9.7
Htgwf.com	Huatai Great Wall Futures Co., Ltd	PRC	2012.8.21	2015.9.6
htgwf.net	Huatai Great Wall Futures Co., Ltd	PRC	2011.10.8	2015.11.17
htgwf.cn	Huatai Great Wall Futures Co., Ltd	PRC	2011.8.24	2015.9.23
htgwf.com.cn	Huatai Great Wall Futures Co., Ltd	PRC	2011.8.24	2015.9.23

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things (i) compliance of relevant laws of regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

B. Remuneration of Directors and Supervisors

The aggregate amount of salaries, directors' fees, contribution to pension schemes, discretionary bonuses and other allowances and benefits in kind which were paid to our Directors and Supervisors in 2012, 2013 and 2014 were approximately RMB10.87 million, RMB13.09 million and RMB14.91 million, respectively.

Under the arrangements in force at the date of this prospectus, our Directors (including independent non-executive Directors) and employee Supervisors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2015, is expected to be approximately RMB10 million and RMB7 million, respectively.

There is no arrangement under which any Director or Supervisor has waived or agreed to waive any remuneration or benefits in kind for the years ended December 31, 2012, 2013 and 2014.

4. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of Directors and Supervisors

Immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised, none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") to be notified to our Company, once the Shares are listed.

Up to the Latest Practicable Date, none of the Directors or Supervisors or their respective spouses and children under 18 years of age had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company or any of its associated corporations.

B. Disclosure of Interests of Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will directly or indirectly, be interested in 10.0% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company, see the section headed "Substantial Shareholders".

Substantial shareholders interest or short position in the Shares of our Company

Shareholders	Nature of Interest	Class	Number of Shares directly or indirectly held	Approximate percentage of shareholding (%)
Jiangsu Guoxin Investment Group Limited (江蘇省國信資產管理集團有限公司)	Beneficial owner	A Shares	1,317,708,731	23.53%
Jiangsu Communications Holding Company Limited (江蘇交通控股有限公司)	Beneficial owner	A Shares	420,327,370	7.51%
Jiangsu SOHO Holdings Group Co., Ltd. (江蘇省蘇豪控股集團有限公司)	Beneficial owner	A Shares	283,683,990	5.07%
	Interest held by a controlled corporation[(1)]	A Shares	102,920,000	1.84%
		A Shares	386,603,990	6.91%
Govtor Capital Group Co., Ltd. (江蘇高科技投資集團有限公司)	Beneficial owner	A Shares	360,000,000	6.43%

Note:

(1) Jiangsu SOHO Holdings Group Co., Ltd. directly holds 71.58% of the equity interest of Jiangsu SOHO International Group Corporation (江蘇蘇豪國際集團股份有限公司), and therefore is deemed to be interested in the same number of A Shares in which Jiangsu SOHO International Group Corporation is interested under the SFO.

Interests of substantial shareholders in our member companies (excluding our Company)

Our subsidiaries	Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Huatai Great Wall Futures Co., Ltd . .	RMB809,000,000	Deluxe Family Co., Ltd. (華麗家族股份有限公司)	40%
Jiangsu Equity Exchange Co., Ltd . . .	RMB200,000,000	Soochow Securities Co., Ltd. (東吳證券股份有限公司)	12%
		Guolian Securities Co., Ltd. (國聯證券股份有限公司)	12%
		Donghai Securities Co., Ltd. (東海證券股份有限公司)	12%
		Nanjing Securities Co., Ltd. (南京證券股份有限公司)	12%

C. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or Supervisors has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(c) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(d) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or our subsidiaries.

B. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

C. Joint Sponsors

Each of J.P. Morgan Securities (Far East) Limited and UBS Securities Hong Kong Limited, satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Huatai Financial Holdings is a wholly-owned subsidiary of our Company and as such it is not independent of our Company.

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus.

Pursuant to the engagement letter entered into between our Company and each of the Joint Sponsors, we have agreed to pay each of the Joint Sponsors a fee of US$750,000 to act as the sponsors of our Company in connection with the proposed listing on the Stock Exchange.

D. Compliance Adviser

Our Company has appointed Investec Capital Asia Limited as the compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

E. Preliminary Expenses

We have not incurred any preliminary expense.

F. Promoters

Information of our promoters is as follows:

No.	Name
1.	Jiangsu Guoxin Investment Group Ltd. (江蘇省國信資產管理集團有限公司)
2.	Jiangsu Communications Holding Co., Ltd. (江蘇交通控股有限公司)
3.	Jiangsu High Hope International Group (江蘇滙鴻國際集團有限公司)
4.	Jiangsu Govtor Capital (江蘇高科技投資集團有限公司)
5.	Guohua Energy Investment Co., Ltd. (國華能源投資有限公司)
6.	Jiangsu Silk Group (江蘇省絲綢集團有限公司)
7.	Jiangsu Hiteker Co., Ltd. (江蘇宏圖高科技股份有限公司)
8.	Nanjing Iron and Steel United Co., Ltd. (南京鋼鐵聯合有限公司)
9.	Heilan Group Co., Ltd. (海瀾集團有限公司)
10.	Jiangsu Soho International Group Corp. (江蘇蘇豪國際集團股份有限公司)
11.	Jincheng Corporation (金城集團有限公司)
12.	Fubon Asset Management Co., Ltd. (富邦資產管理有限公司)
13.	Jiangsu Light Industrial Products Import & Export (Group) Corporation (江蘇開元國際集團輕工業品進出口股份有限公司)
14.	Jiangsu Sainty International Group Limited (江蘇舜天國際集團有限公司)
15.	Jiangsu Sanfangxiang Group Co., Ltd. (江蘇三房巷集團有限公司)
16.	Jiangsu Huaxicun Co., Ltd. (江蘇華西村股份有限公司)
17.	Jiangsu Overseas Group CO., Ltd. (江蘇省海外企業集團有限公司)
18.	Guizhou Chitianhua Group Co., Ltd. (貴州赤天化集團有限責任公司)
19.	Nanjing State-owned Assets Management Group Holdings Limited (南京市國有資產經營（控股）有限公司)
20.	Shanghai Meishan Mining Co., Ltd. (上海梅山礦業有限公司)
21.	Jiangsu Jinsheng Industrial Investment Co., Ltd. (江蘇金盛實業投資有限公司)
22.	Jiangsu Provincial Foreign Trade Corporation (江蘇省對外經貿股份有限公司)

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

G. Qualification of Experts

The qualifications of the experts, as defined under the Hong Kong Listing Rules, who have given opinions in this prospectus, are as follows:

Name	Qualification
Huatai Financial Holdings (Hong Kong) Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
J.P. Morgan Securities (Far East) Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
UBS Securities Hong Kong Limited	Licensed to conduct type 1 (dealing in securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
KPMG	Certified Public Accountants
King & Wood Mallesons	PRC legal advisers
Mr. YAN John M. Y.	Senior Counsel, Barrister-at-law

H. Consents of Experts

Each of the experts named in the paragraph G of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

I. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the H Share register of members of our Company, including in circumstances where such transaction is effect on the Hong Kong Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is HK$2.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "Appendix IV—Taxation and Foreign Exchange".

J. No Material Adverse Change

Save as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since December 31, 2014.

K. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

L. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in "Appendix I—Accountant's Report—55. Related party relationships and transactions."

M. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus:

  (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

  (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

  (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries; and

  (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(b) there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) save for our A Shares which are listed on the Shanghai Stock Exchange, none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) the Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures; and

(h) all necessary arrangements have been made to enable the H shares to be admitted into CCASS for clearing and settlement.

N. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the WHITE, YELLOW and GREEN Application Forms;

(b) copies of material contracts referred to in the section headed "2. Further Information About Our Business—A. Summary of Our Material Contracts" in Appendix VII to this prospectus; and

(c) the written consents referred to in section headed "5. Other information—H. Consents of Experts" in Appendix VII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Clifford Chance at 27/F, Jardine House, One Connaught Place, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association of our Company;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the consolidated audited financial statements of our Group for the three years ended December 31, 2014;

(d) the report from KPMG relating to the unaudited interim financial information of our Group for the three months ended March 31, 2015, the text of which is set out in Appendix II to this prospectus;

(e) the report from KPMG relating to the unaudited pro forma financial information, the text of which is set out in Appendix III to this prospectus;

(f) the material contracts referred to in the section headed "2. Further Information About Our Business—A. Summary of Our Material Contracts" in Appendix VII to this prospectus;

(g) the written consents referred to in the section headed "5. Other information—H. Consents of Experts" in Appendix VII to this prospectus;

(h) the contracts referred to in the section headed "3. Further Information About Our Directors and Supervisors—A. Particulars of Directors' and Supervisors' Contracts" in Appendix VII to this prospectus;

(i) the legal opinions issued by King & Wood Mallesons, our legal adviser as to PRC law in respect of our general matters and property interests of the Group;

(j) the legal opinions issued by Mr. YAN John M.Y., Senior Counsel, our legal adviser as to, among others, various intellectual property rights matters;

(k) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations; and

(l) the SSE Listing Rules, together with an unofficial English translation.

HTSC