

恒投证券

HENGTOU SECURITIES

(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "恒泰证券股份有限公司" and carrying on business in Hong Kong as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English))

Stock Code: 1476

2015

Annual Report

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Important Notice

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

This report has been considered and approved at the fourth meeting of the third session of the Board and the third meeting of the third session of Supervisory Committee where eight Directors and all Supervisors were present, respectively. No Directors, Supervisors or senior management of the Company declared that they could not guarantee nor had any objection to the truthfulness, accuracy and completeness of this report.

The financial report for 2015 prepared by the Company in accordance with the International Financial Reporting Standards and China's Accounting Standard for Business Enterprises, has been audited by KPMG and Ruihua Certified Public Accountants LLP respectively, who had each issued a standard unqualified audit report. All amounts set out in this report are stated in RMB unless otherwise stated.

Mr. Pang Jiemin (the chairman of the Board), Mr. Niu Zhuang (the president), Mr. Wang Haibing (the chief accountant) and Ms. Yu Fang (the chief compliance officer) and Mr. Yang Liyang (the finance manager) declared that, they undertake the financial statements in this annual report are true, accurate and complete.

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

Chairman's Statement

In 2015, China's securities industry accelerated its transformation and upgrading, and ushered in a new development phase full of opportunities and challenges. The year 2015 marked a significant milestone for the Company, during which the Company was successfully listed in Hong Kong and unveiled a new chapter in the operation and development history of the Company.

In 2015, the Company's operational strategy and layout were fully put into practice with the securities holding group coming into shape. Meanwhile, the Company further pushed ahead with its brokerage business, investment management, proprietary trading, investment banking and other business in an all-round manner, making new breakthroughs in both business scale and operating results. In addition, the Company strategically established presence in Internet-based securities field, and gradually implemented the "Internet Plus" strategy, forming a new landscape in its operations. Further, the Company vigorously set up branches in the developed area, allowing it to provide both the online and offline marketing services. Meanwhile, risk management had been further strengthened with improved compliance and risk management systems. The solid and effective back-office work provided strong support for the business development of the Company.

The year 2016 is a crucial year for the Company to fully deploy its strategic landscape and achieve distinctive and group-based development. All of us will make concerted efforts, capitalize on the development opportunities in the industry, and fully leverage on the positive influence of the Company's listing in Hong Kong to comprehensively consolidate our foundation for business development, and speed up transformation and upgrading of our business structure and profit-making model. Further, we will strengthen the building of talents team and prioritize innovation as a powerful driving force for transformation and upgrading. We will do our utmost to seek opportunity of listing in domestic A share market and boost our business segments to a higher level, aiming to develop the Company into a nationally leading securities company.

Pang Jiemin

Chairman

Beijing, the PRC, March 24, 2016

Definitions

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

Company, Hengtou Securities or, Hengtai Securities	a company established as a limited liability company in the PRC on December 28, 1998 and converted into a joint stock company with limited liability under the PRC laws on November 3, 2008 under the corporate name “恒泰证券股份有限公司” (Hengtai Securities Co., Ltd), and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English) as approved by and registered with the Registrar of Companies in Hong Kong on April 27, 2015, and whose H shares are listed on the Main Board of the Hong Kong Stock Exchange
Group	the Company and its subsidiaries
Board	the board of directors of the Company
Director(s)	director(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Supervisor(s)	supervisor(s) of the Company
Articles of Association	the articles of association of the Company, as amended from time to time
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Corporate Governance Code	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
this report	this annual report
Domestic Share(s)	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in RMB
H Share(s)	overseas listed foreign ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Hong Kong Stock Exchange
Shares	Domestic Shares and H Shares

Definitions

Reporting Period	for the year ended December 31, 2015
end of Reporting Period	December 31, 2015
Prospectus	the H Shares prospectus of the Company dated September 30, 2015
PRC or China	for the purpose of this report, the People's Republic of China (excluding Hong Kong, Macau Special Administration Region of the PRC and Taiwan)
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
PBOC	the People's Bank of China (中國人民銀行)
SAC	the Securities Association of China (中國證券業協會)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Yuan or RMB	Renminbi, the lawful currency of China
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Baotou Huazi	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600191) and a substantial shareholder of the Company
Qingyun Intercontinental	Beijing Qingyun Intercontinental Technology Co., Ltd. (北京慶雲洲際科技有限公司), substantial shareholder of the Company
Finance Street Xihuan Properties	Beijing Finance Street Xihuan Properties Co., Ltd. (北京金融街西環置業有限公司), formerly known as Beijing Xihuan Properties Co., Ltd. (北京西環置業有限公司), a subsidiary of SASAC Xicheng District and a shareholder of the Company
Huijin Jiaye	Beijing Huijin Jiaye Investment Co., Ltd. (北京匯金嘉業投資有限公司), a shareholder of the Company

Definitions

Finance Street Investment	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司), formerly known as Beijing Finance Street Construction Group Co., Ltd. (北京金融街建設集團), a subsidiary of SASAC Xicheng District and a shareholder of the Company
Huarong Infrastructure	Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司), a subsidiary of SASAC Xicheng District and a shareholder of the Company
Hongzhi Huitong	Beijing Hongzhi Huitong Industrial Co., Ltd. (北京鴻智慧通實業有限公司), a shareholder of the Company
Zhongchang Hengyuan	Zhongchang Hengyuan Holdings Limited (中昌恒遠控股有限公司), a substantial shareholder of the Company
Shanghai Yida	Shanghai Yida Technology Investment Co., Ltd. (上海怡達科技投資有限責任公司), a substantial shareholder of the Company
Tomorrow Holding	Tomorrow Holding Limited Company (明天控股有限公司), which holds approximately 54% equity interest in Baotou Huazi, one of the substantial shareholders of the Company
Finance Street Capital	Beijing Finance Street Capital Management Centre (北京金融街資本運營中心), which holds 100% equity interest in Huarong Infrastructure
Huarong Investment	Beijing Huarong Comprehensive Investment Co., Ltd. (北京華融綜合投資有限公司), which holds 90.00% equity interest in Finance Street Xihuan Properties
SASAC Xicheng District	the State-owned Assets Supervision and Administration Commission of Xicheng District People's Government of Beijing Municipality (北京市西城區人民政府國有資產監督管理委員會), which holds 100% equity interest in each of Huarong Investment, Finance Street Capital and Finance Street Investment, respectively
Huifa Investment	Tibet Dazi Huifa Investment Co., Ltd. (西藏達孜匯發投資有限公司), formerly known as Shenzhen City Huifa Investment Co., Ltd. (深圳市匯發投資有限公司), and a shareholder of the Company

Definitions

Ningbo Shike	Ningbo Shike Trading Co., Ltd. (寧波實科商貿有限公司), which holds 70% equity interest in Qingyun Intercontinental
Shaanxi Hongya	Shaanxi Hongya Ruijiu Trading Co., Ltd. (陝西弘雅瑞久商貿有限公司), which holds 99.60% equity interest in Ningbo Shike
Shaanxi Tianchen	Shaanxi Tianchen Technology Trading Co., Ltd. (陝西天宸科貿有限公司), which holds 97.08% equity interest in Hongzhi Huitong
Hangzhou Ruisi	Hangzhou Ruisi Industrial Co., Ltd. (杭州瑞思實業有限公司), which holds 97.08% equity interest in Shaanxi Tianchen
Suzhou Bingtai	Suzhou Bingtai Trading Co., Ltd. (蘇州秉泰貿易有限公司), which holds 90.00% equity interest in Hangzhou Ruisi
substantial shareholder(s)	has the meaning ascribed to it under the Listing Rules
Hengtai Changcai	Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司)
Hengtai Capital	Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司)
Hengtai Pioneer	Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司)
Hengtai Futures	Hengtai Futures Co., Ltd. (恒泰期貨股份有限公司)
New China Fund	New China Fund Management Co., Ltd. (新華基金管理股份有限公司)
IPO	abbreviation for “Initial Public Offering”
margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale

Definitions

stock pledged repurchase transaction	a transaction in which eligible funds receivers get financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and cancel the pledge some day in the future
IB business	a business activity in which securities firms, as commissioned by futures companies, introduce clients to participate in futures transactions of the futures companies and provide other related services
NEEQ	National Equities Exchange and Quotations
asset securitization	an act of converting less liquid assets into securities that can be traded freely in the financial market to have them become liquid and a direct way of financing through issuing securities in capital market and monetary market
Hong Kong	Hong Kong Special Administrative Region of the PRC
Listing	H shares listed on the Main Board of the Hong Kong Stock Exchange on October 15, 2015
Listing Date	October 15, 2015
Inner Mongolia AIC	Inner Mongolia Administration For Industry & Commerce

Material Risks

The Company's business is highly dependent on economic and market conditions in China. China's capital market conditions may change suddenly and dramatically, which could materially and adversely affect the Company's business, financial condition and results of operations. Further, the Company's business is also subject to changes in relevant PRC government policies, such as monetary policies, fiscal policies, foreign exchange policies, interest rate fluctuation, cost of funding, taxation policies, availability of short-term and long-term market funding sources, and legislation and regulations affecting the finance and securities industries.

The major risks faced by the Company include: strategic risk arising from change of strategic plans and management risk arising from internal operation in response to changes of the macro-economy and the capital markets; credit risk resulting from the failure of a debtor or counterparty to timely perform its contractual obligations; market risk of loss or revenue decline resulting from the overall or partial change of the market, including the risk of price fluctuation in equity-based assets, interest rate risk and exchange rate risk; liquidity risk of the inability to raise funds on a timely basis or at a reasonable cost to settle liabilities as they fall due, perform other payment obligations and satisfy other funding demands of normal business development; operation risk of financial loss resulting from the improper operation in transactional processes or the management system; legal and compliance risk resulting from the failure to make timely adjustment to the Company's operation and relevant standards corresponding to the adjustment to laws, regulations and provisions set by regulatory authorities; etc.

In view of the abovementioned risks, the Company has established internal control system, compliance management system, risk control indicators monitoring system to prevent and reduce various risks the Company is confronted with in the course of operation.

Company Profile

I. BASIC INFORMATION ABOUT THE COMPANY

1. Name of company

Chinese name: 恒泰證券股份有限公司, being the corporate name in the PRC (carrying on business in Hong Kong as “恒投證券”)

English name: HENGTAI SECURITIES CO., LTD, being English translation of the corporate name in the PRC (carrying on business in Hong Kong as “HENGTOU SECURITIES”)

2. Board of Directors

Executive Directors

Mr. Pang Jiemin (*Chairman*)

Mr. Wu Yigang

Non-executive Directors

Mr. Ju Jin

Mr. Zhang Tao

Mr. Chen Guanglei

Mr. Sun Chao

Independent Non-executive Directors

Mr. Peng Diyun

Ms. Zhou Jianjun

Dr. Lam Sek Kong

Special Committees of the Board

Strategy and Investment Committee

Mr. Pang Jiemin (*Chairman of the Committee*)

Mr. Sun Chao

Dr. Lam Sek Kong

Risk Control and Supervisory Committee

Mr. Ju Jin (*Chairman of the Committee*)

Mr. Zhang Tao

Mr. Wu Yigang

Audit Committee

Ms. Zhou Jianjun (*Chairman of the Committee*)

Mr. Zhang Tao

Dr. Lam Sek Kong

Remuneration and Nomination Committee

Mr. Peng Diyun (*Chairman of the Committee*)

Mr. Ju Jin

Ms. Zhou Jianjun

3. Supervisory Committee

Mr. Guo Liwen (*Chairman of the Supervisory Committee*)

Ms. Pei Jingjing

Mr. Wang Hui

4. Legal Representative: Mr. Pang Jiemin

President: Mr. Niu Zhuang

5. Registered capital: RMB2,194,707,412 (the Company is applying for change in industrial and administrative registration in relation to change in register capital to RMB2,604,567,412)

Net capital: RMB6,442,197,354

6. Qualifications for Businesses in China

The Company is qualified for: securities business operation (the Company holds the license for securities business operation (No. Z20815000) issued by the CSRC), financial advising on activities related to security investment, proprietary securities business, foreign exchange business, access to national inter-bank funding business, shares underwriting business, online securities commission business, membership of the Securities Association of China, entrusted investment management business, proxy sale of open-end securities investment funds, sponsoring business, chief agency broker in the agency system, intermediary introduction business for futures companies, margin financing and securities lending business, small and medium-sized enterprise private debt underwriting business, chief agency broker on the NEEQ, distribution of financial products, refinancing business, securities-backed lending business, online account opening business, stock option brokerage and proprietary business, market-making activities on the NEEQ, lending business for margin and securities refinancing, Southbound trading, over-the-counter (“**OTC**”) trial, administration of overseas securities investment of qualified domestic institutional investors, trial Internet-based securities services, and custodian business for securities investment funds.

Company Profile

7. Head Office in China

Registered address: 14–18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC (postcode: 010098);

Head office address of the Company: Room 509, Block C, Tongtai Building, No.33 Finance Street, Xicheng District, Beijing, the PRC

Website of the Company: www.cnht.com.cn

Email: dongban@cnht.com.cn

8. Place of Business in Hong Kong

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

9. Secretary of the Board

Mr. Zhang Wei
Tel: 0471–4913858
Fax: 0471–4913858
Email: zhangwei@cnht.com.cn
Address: 18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC

10. Chief Compliance Officer and Chief Risk Officer

Ms. Yu Fang
Tel: 0471–4913918
Fax: 0471–4913918
Email: yufang@cnht.com.cn
Address: 18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC

11. Joint Company Secretaries

Mr. Zhang Wei, Ms. Leung Wing Han Sharon

12. Authorized Representatives

Mr. Pang Jiemin, Ms. Leung Wing Han Sharon

13. Auditors

International accounting firm: KPMG

Domestic accounting firm: Ruihua Certified Public Accountants LLP

14. Compliance Advisor

Haitong International Capital Limited

15. Principal Bankers

China Minsheng Bank, Hohhot Branch

Industrial Bank Co., Ltd. Hohhot Branch

China Construction Bank Corporation, Hulun South Road Branch of Hohhot

China Merchants Bank Central Business, Branch of Shenzhen

16. H Share Registrar in Hong Kong

Computershare Hong Kong Investor Services Limited

17. Sock Code

01476

II. DEVELOPMENT HISTORY

The Company's predecessor is Inner Mongolia Autonomous Region Securities Company (內蒙古自治區證券公司), which was established by Inner Mongolia branch of the PBOC upon the approval of the PBOC in April 1992. In November 1998, the Company was converted into a limited liability company as approved by the CSRC with the Reply on the Approval of Capital Increase and Conversion of Inner Mongolia Autonomous Region Securities Company (Zheng Jian Ji Gou Zi [1998] No. 39) (《關於核准內蒙古自治區證券公司增資改制的批覆》(證監機構字[1998]39號)).

On July 2, 2002, upon approval by the CSRC with the Reply on Approval of the Capital Injection of Inner Mongolia Securities Co., Ltd. (內蒙古證券有限責任公司) (Zheng Jian Ji Gou Zi [2002] No. 194) (《關於核准內蒙古證券有限責任公司增資擴股的批覆》(證監機構字[2002]194號)), Inner Mongolia Securities Co., Ltd. completed the capital increase with its registered capital increased from RMB94,000,000 to RMB655,569,950. On October 9, 2002, upon approval by the Inner Mongolia Administration For Industry and Commerce, the Company was re-named as Hengtai Securities Limited Liability Company (恒泰證券有限責任公司), with a business license numbered 1500001004247.

Company Profile

On November 3, 2008, upon approval by the CSRC with the Reply on the Approval of Conversion into a Joint Stock Company with Limited Liability and the Change of Registered Capital of Hengtai Securities Limited Liability Company (Zheng Jian Ji Gou Zi [2008] No. 1148) (《關於核准恒泰證券有限責任公司變更為股份有限公司以及變更註冊資本的批覆》(證監機構字[2008]1148號)), Hengtai Securities Limited Liability Company was converted into a joint stock company with limited liability under the name of Hengtai Securities Co., Ltd. (恒泰證券股份有限公司), with its registered capital increased to RMB2,006,247,412 and a business license numbered 150000000001019(1-1).

On March 10, 2009, upon approval by the CSRC with the Reply on the Approval of Hengtai Securities Co., Ltd.'s Acquisition of Changcai Securities Brokerage Co., Ltd. (Zheng Jian Xu Ke [2009] No. 223) (《關於核准恒泰證券股份有限公司收購長財證券經紀有限公司的批覆》(證監許可[2009]223號)), the Company acquired Changcai Securities Brokerage Co., Ltd.. The registered capital of the Company was increased to RMB2,194,707,412 and Hengtai Changcai became a wholly-owned subsidiary of the Company upon the completion of the acquisition.

On May 22, 2009, upon approval by the CSRC with the Reply on the Approval of Change in Equity Interest in Shanghai Yongda Futures Brokerage Co., Ltd. (Zheng Jian Xu Ke [2009] No. 423) (《關於核准上海永大期貨經紀有限公司變更股權的批覆》(證監許可[2009]423號)), the Company acquired Shanghai Yongda Futures Brokerage Co., Ltd., and Shanghai Yongda Futures Brokerage Co., Ltd. became a wholly-owned subsidiary of the Company. Shanghai Yongda Futures Brokerage Co., Ltd. changed its name to Hengtai Futures Brokerage Co., Ltd. in August 2010, and then to Hengtai Futures Co., Ltd. in May 2011. On June 30, 2015, registered capital of Hengtai Futures was increased from RMB100 million to RMB125 million. Hengtai Capital subscribed for the additional registered capital in a cash consideration of RMB50 million, at the price of RMB2 for RMB1 registered capital. Hengtai Futures was held by the Company and Hengtai Capital as to 80% and 20% respectively, upon completion of the capital increase. On September 16, 2015, Hengtai Futures was converted into a joint stock company with limited liability as a whole through converting its original net asset value into shares.

On January 25, 2013, the Company established Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司) in Beijing as a wholly-owned subsidiary of the Company, with a registered capital of RMB100 million.

On June 3, 2013, the Company established Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司) in Shenzhen as a wholly-owned subsidiary of the Company, with a registered capital of RMB200 million.

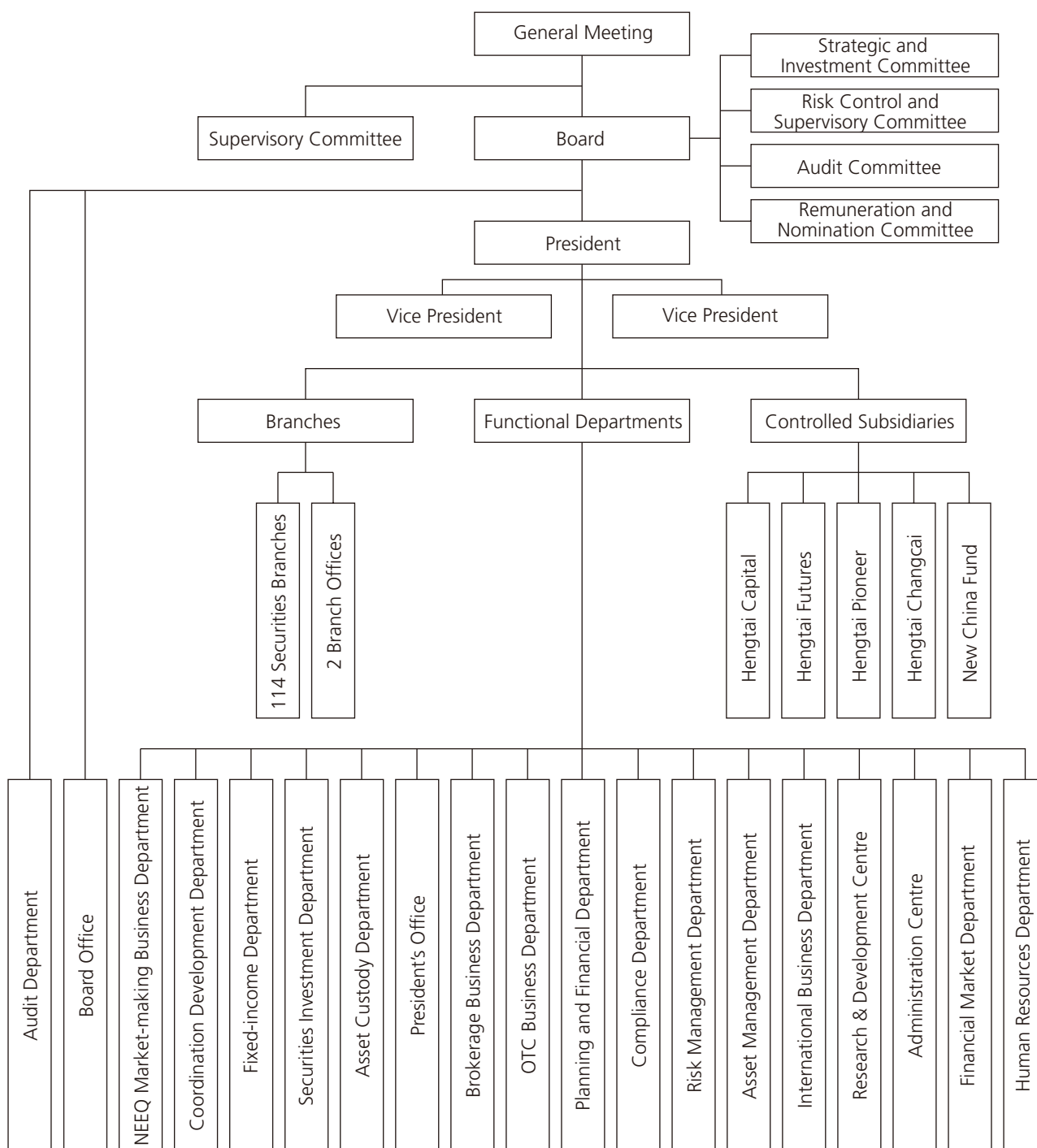
Company Profile

On October 30, 2013, upon approval by the CSRC with the Reply on the Approval of Change in Equity Interest in New China Fund Management Co., Ltd. (Zheng Jian Xu Ke [2013] No. 1376) (《關於核准新華基金管理有限公司變更股權的批覆》(證監許可[2013]1376號)), the Company acquired 43.75% equity interest in New China Fund Management Co., Ltd. and became the second largest shareholder of New China Fund. On July 29, 2015, upon approval by the CSRC with the Reply on the Approval of Change in Equity Interest in New China Fund Management Co., Ltd. (Zheng Jian Xu Ke [2015] No. 1669) (《關於核准新華基金管理有限公司變更股權的批覆》(證監許可[2015]1669號)), the Company completed the subscription for additional 57,500,000 shares (representing 14.87% equity interest in New China Fund) at a consideration of RMB97,750,000. Upon completion of the capital increase, New China Fund was held by the Company as to 58.62% and became a non-wholly-owned subsidiary of the Company. On September 28, 2015, New China Fund Management Co., Ltd. was converted into a joint stock company with limited liability as a whole by converting its original net asset value into shares.

On September 9, 2015, the Company received the Reply on Approval of Issue of Overseas Listed Foreign Invested Shares by Hengtai Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 2089) (《關於核准恒泰証券股份有限公司發行境外上市外資股的批覆》(證監許可[2015]2089號)) from CSRC, which approved the Company to publicly issue the overseas listed foreign invested shares (H Shares) and the listing of such shares on the main board of the Hong Kong Stock Exchange. On October 15, 2015, the overseas listed shares of the Company were officially listed on the Hong Kong Stock Exchange (stock code: 1476). The Company issued an aggregate of 450,846,000 H Shares (including the portion of reduced state-owned shares) (all being ordinary shares) with a nominal value of RMB1.00 each. The total share capital of Company was 2,604,567,412 shares upon completion of the issue.

Company Profile

III. ORGANIZATIONAL STRUCTURE



IV. SUBSIDIARIES

As of December 31, 2015, major subsidiaries of the Company are as follows:

(I) Controlled subsidiaries

Number	Name	Address	Principal activity	date of incorporation/ establishment	Registered capital (RMB'000)	Shareholding percentage	Legal representative	Telephone
1	Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司)	Section 479, 5/F, No. 57 Changjiang Road Economic Development Zone, Changjiang Road, Chang Chun, Jilin Province (吉林省長春市長江路經濟開 發區長江路57號五層479段)	securities underwriting business, securities investment fund distribution business and securities sponsoring business	October 1, 2002	20,000	100%	Zhang Wei (張偉)	010-56673702
2	Hengtai Pioneer Investments Co., Ltd. (恒泰先鋒投資有限公司)	Building 5, No. 25 Shuntong Road, Shunyi District, Beijing (北京市順義區順通路25號5棟)	project investment; investment management; asset management; and investment consulting; corporate management consulting	January 25, 2013	10,000	100%	Wu Lihui (武麗輝)	010-57649351
3	Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司) (Note 1)	Room 201, Block A, 1 Qianwan First Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen (深圳市前海深港合作區前灣 一路1號A棟201室)	private equity investment business	June 3, 2013	100,000	100%	Niu Zhuang (牛壯)	0755-83700311
4	Hengtai Futures Co., Ltd. (恒泰期貨股份有限公司) (Note 2)	Unit 201, 2/F, No. 120 Block 91, E'shan Road, Pudong New District, Shanghai (上海市浦東新區崑山路91弄120號2層 201單元)	commodity futures brokerage; financial futures brokerage; advisory services related to futures investment and asset management	December 20, 1992	12,500	80%	Fu Lixin (付立新)	021-68405668
5	New China Fund Management Co., Ltd. (新華基金管理股份有限公司)	19/F, Building 2, Lifu Centre, No. 6 Juxiyan Square, Jiangbei District, Chongqing (重慶市江北區聚賢岩廣場6號力 帆中心2號辦公樓19層)	fund raising, fund distribution, asset management and other business as permitted by CSRC	December 9, 2004	21,750	58.62%	Chen Zhong (陳重)	010-68726666

Note 1: Hengtai Capital completed the change of business registration in respect of the increase in registered capital on January 29, 2016, with registered capital increased from RMB200 million to RMB1,000 million.

Note 2: The Company's shareholding percentage in such company is presented as direct shareholding percentage.

Company Profile

(II) Major Subsidiaries of Hengtai Pioneer

Number	Name	Address	Main businesses	Date of incorporation	Registered capital (RMB0,000)	Shareholding ratio	Legal Representative	Contact No.
1	Shanghai Yingwo Investment Management Co., Ltd. (上海盈沃投資管理有限公司)	Room 358, Building 3, No.806 Fengzhen Road Hongkou District Shanghai (上海市虹口區豐鎮路806號3幢358室)	investment management, asset management, investment consultation, industrial investment;	July 2, 2013	1,000	100%	Fu Lixin (付立新)	021-60212756
2	Beijing Hengtai Hongze Investment Co., Ltd. (北京恒泰弘澤投資有限公司)	F2-1(B)701-2, 7/F, No.2 and 4 Wudinghou Street, Xincheng District, Beijing (北京市新成區武定侯街2號、4號7層F2-1(B)701-2)	project investment; investment management; asset management; investment consultation; corporate management consulting	April 8, 2015	1,000	100%	Wu Lihui (武麗輝)	010-57649363
3	Beijing Hengtai Puhui Information Service Co., Ltd. (北京恒泰普惠信息服務有限公司) (Note 3)	Room 6072, 6/F, Building 20, No.18 Qinghe'an'ningzhuang East Road, Haidian District, Beijing (北京市海澱區清河安寧莊東路18號20幢6層6072室)	economic and trade consulting; investment management; asset management; project investment; investment consultation; corporate management consulting; finance consulting	April 17, 2015	1,000	100%	Liu Quansheng (劉全勝)	010-57649352
4	Beijing Hengtai Hengzhong Information Service Co., Ltd. (北京恒泰恒眾信息服務有限公司)	Room 615, Building C, No.33 Finance Street Xicheng District, Beijing (北京市西城區金融大街33號C幢615室)	investment management, asset management, project investment, investment consultation, corporate management consulting and finance consulting	July 16, 2015	1,000	100%	Liu Quansheng (劉全勝)	010-56673933
5	Hengtai Haihang (Beijing) Investment Management Co., Ltd. (恒泰海航(北京)投資管理有限公司)	F2-1(B)701-3, 7/F, 2 and 4 Wudinghou Street, Xicheng District, Beijing (北京市西城區武定侯街2號, 4號7層F2-1(B)701-3)	investment consultation, investment management, economic and trade consulting.	August 7, 2015	200	51%	Shen Wenbo(申文波)	010-56765660

Note 3: On November 27, 2015, Beijing Hengtai Hengfu Information Service Co., Ltd. (北京恒泰恒富信息服務有限公司) changed its name to Beijing Hengtai Puhui Information Service Co., Ltd (北京恒泰普惠信息服務有限公司).

(III) Major Subsidiaries of Hengtai Capital

Number	Name	Address	Main businesses	Date of incorporation	Registered capital (RMB0,000)	Shareholding ratio	Legal Representative	Contact No.
1	Hengtai Capital Equity Investment Fund Management Co., Ltd. (恒泰資本股權投資基金管理有限責任公司)	Room 201, Building A, 1 Qianwan yi Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen (深圳市前海深港合作區前灣 一路1號A棟201室)	private entity management	September 9, 2013	1,000	100%	Wang Jun (王軍)	0755-83700311
2	Shanghai Hongdian Investment Management Co., Ltd. (上海泓典投資管理有限公司)	Room 1009, No.99 Huangpu Road, Hongkou District, Shanghai (上海市虹口區黃浦路99號 1009室)	investment management, industrial investment, asset management, business consulting, corporate management consulting	May 4, 2015	10,000	100%	Huang Weiguo (黃偉國)	021-33821309
3	Inner Mongolia Hengtai Shengda Investment Management Co., Ltd. (內蒙古恒泰盛達投資管理有限 公司)	6/F, Region 2, Block A, Jindi Business Building, Xincheng District, Chifeng, Inner Mongolia Autonomous Region (內蒙古自治區赤峰市新成區 金帝商務大廈A座2區6層)	asset management, investment management, investment advisory services	November 2, 2015	3,000	51%	Niu Zhuang (牛壯)	010-56673933
4	Shenzhen Hengtai Baojuchang Investment Management Co., Ltd. (深圳恒泰寶聚昌投資管理有限 公司)	22F, Center Business Building, Fuhua First Road, Futian Street, Futian District, Shenzhen (深圳市福田區福田街福華一路 中心 商務大廈22層)	asset management, entrusted asset management, investment in business, securities investment management, equity investment, investment consultation	June 24, 2015	300	51%	Wang Jun (王軍)	0755-83700311

Company Profile

(IV) Major Subsidiaries of New China Fund

Number	Name	Address	Main businesses	Date of incorporation	Registered capital (RMB0,000)	Shareholding ratio	Legal Representative	Contact No.
1	Shenzhen New China Fushi Asset Management Co., Ltd. (深圳新華富時資產管理有限公司)	Unit 201, Building A, Qianhai Shenzhen-Hong Kong Cooperation Zone Authority Office, No. 1, Lijumen Street, Qianwan First Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen (深圳市前海深港合作區前灣 一路鯉魚門街1號前海深港 合作區管理局 綜合辦公樓A棟201室)	asset management	April 10, 2013	5,000	60%	Lin Yanfang (林豔芳)	010-5801085

V. BRANCH OFFICES

As of December 31, 2015, the Company had two branch offices, details of which are as follows:

Number	Name	Address	Time of establishment	Person in charge	Tel
1	Hengtai Securities Co., Ltd., Shenzhen Branch Office (恒泰證券股份有限公司 深圳分公司)	Room 2001-2020, Shenzhen Central Business Building, No. 88 Fuhuayuan Road, Futian District, Shenzhen (深圳市福田區福華一路88號深 圳中心商務大廈2001-2020室)	August 17, 2009	Hu Sanming (胡三明)	0755-82033486
2	Hengtai Securities Co., Ltd., Changchun Branch Office (恒泰證券股份有限公司 長春分公司)	5/F, Dong'er'tiao East, Jujiang Road North, Kuancheng District, Changchun, Jilin Province (吉林 省長春市寬城區珠江路北東二條 東五樓)	May 27, 2014	Cao Yalou (曹亞樓)	0431-82942266

VI. DISTRIBUTION OF SECURITIES BRANCHES

As of December 31, 2015, the Company had a total of 114 securities branches (for details, please refer to Appendix), among which, 56 were newly established in 2015 (please refer to “IV. (I) Branches of the Company” under Section 5 “Management Discussion and Analysis”). Number and distribution of securities branches of the Company are as follows:

Province of location	Number of securities branches	Province of location	Number of securities branches
Inner Mongolia Autonomous Region	28	Liaoning Province	3
Shanghai	17	Jiangsu Province	2
Jilin Province	15	Hubei Province	2
Guangdong Province (including: Shenzhen)	14 (7)	Guangxi Zhuang Autonomous Region	2
Beijing	13	Shanxi Province	1
Zhejiang Province	9	Hebei Province	1
Shandong Province	6	Chongqing	1

Summary of Accounting and Business Data

I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES

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

Item	2015	2014	Increase from last period	2013
Operating results (RMB'000)				
Revenue and other income	5,676,190	2,269,453	150%	1,422,200
Profit before income tax	2,195,270	837,334	162%	524,076
Profit for the year-attributable to ordinary shareholders of the Company	1,700,772	654,105	160%	399,095
Net cash used in operating activities	(1,941,863)	(1,371,848)	42%	(578,405)
Earnings per share (RMB/share)				
Basic earnings per share ¹	0.72	0.3	140%	0.18
Diluted earnings per share	0.72	0.3	140%	0.18
Profitability index				
Weighted average rate of return on net assets(%) ²	24.21%	13.22%	83%	8.85%
Scale indicators (RMB'000)				
Total assets	39,167,673	21,817,518	80%	9,880,133
Total liabilities	29,434,641	16,542,521	78%	5,223,246
Accounts payable to brokerage clients	13,977,558	7,555,457	85%	3,722,632
Equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities	9,531,668	5,274,997	81%	4,656,887
Total share capital ('000 shares)	2,604,567	2,194,707	19%	2,194,707
Net asset value per share attributable to ordinary shareholders³ (RMB/share)	3.08	2.40	28%	2.12
Gearing ratio (%)⁴	61.36%	63.01%	(3%)	24.37%

¹ The index is calculated based on the assumption of deducting the undeclared dividends of the accumulated perpetual capital securities holders

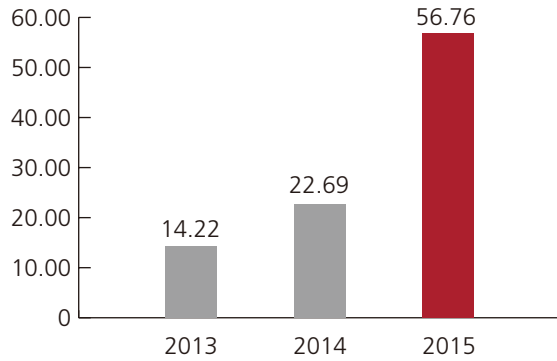
² Weighted average rate of return on net assets (%) = current net profit ÷ (net assets at the beginning of the period + net assets at the end of the period) ÷ 2 + additional net assets from current issuance of new shares or allotment × (number of months calculated from the month following the payment date to the end of the Reporting Period – 6) ÷ 12

³ Net asset value per share attributable to ordinary shareholders = (equity attributable to ordinary shareholders and holders of perpetual capital securities – perpetual capital securities) divided by total share capital

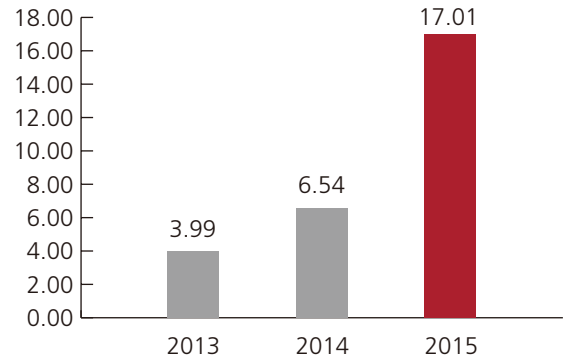
⁴ Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

Summary of Accounting and Business Data

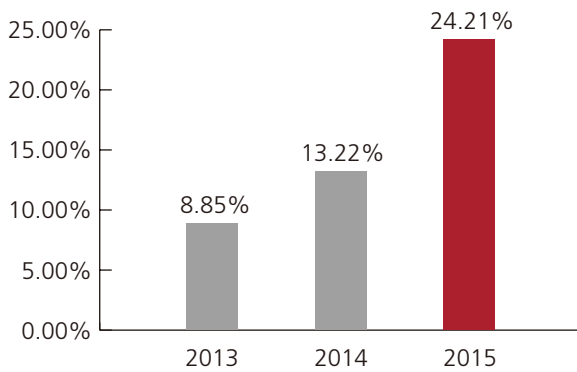
**Revenue and other income
(RMB100 million)**



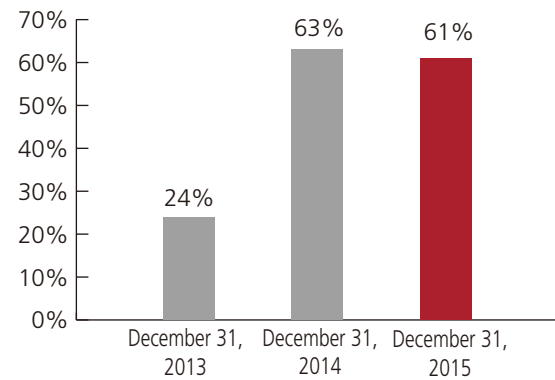
**Profit attributable to shareholders/
ordinary shareholders of the Company
(RMB100 million)**



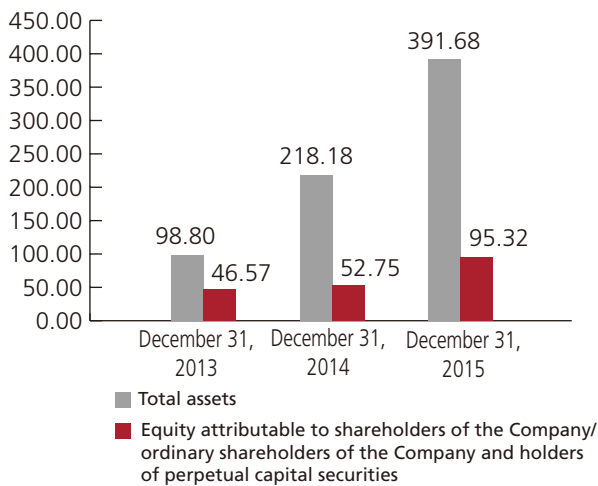
**Weighted average return
on net assets**



Gearing ratio



**Scale indicators
(RMB100 million)**



Summary of Accounting and Business Data

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

Earnings (RMB'000)

Item	2015	2014	2013	2012
Revenue and other income	5,676,190	2,269,453	1,422,200	874,035
Total operating expenses	(3,493,386)	(1,447,271)	(897,705)	(722,429)
Profit before income tax	2,195,270	837,334	524,076	151,606
Profit for the year— attributable to ordinary shareholders of the Company	1,700,772	654,105	399,095	111,555

Assets (RMB'000)

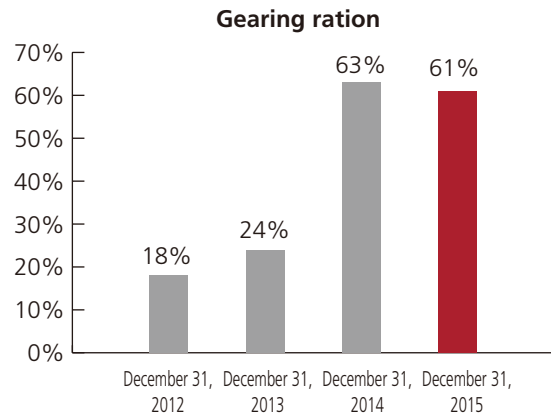
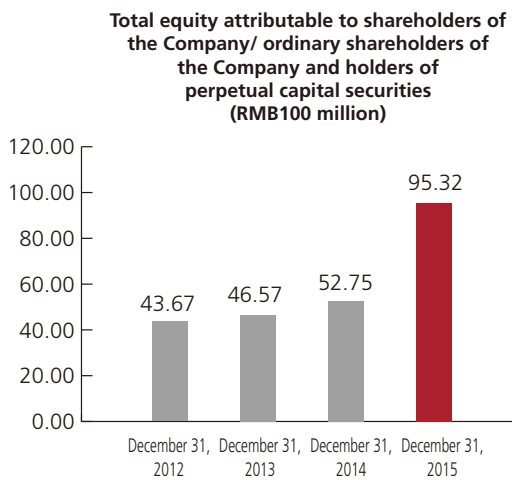
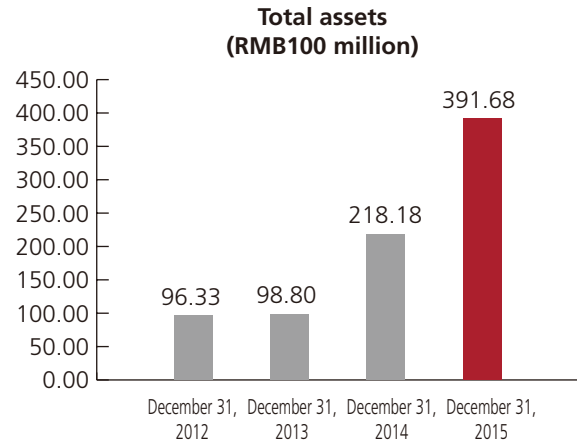
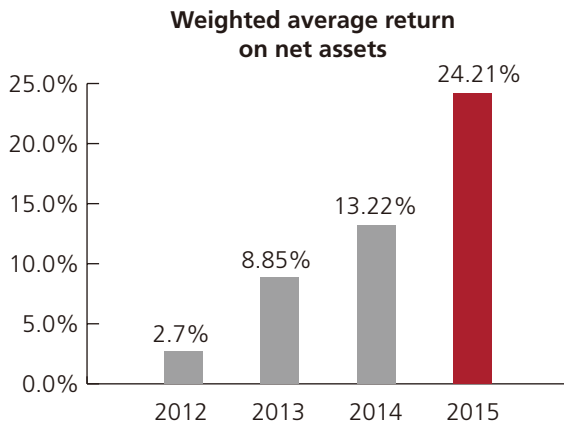
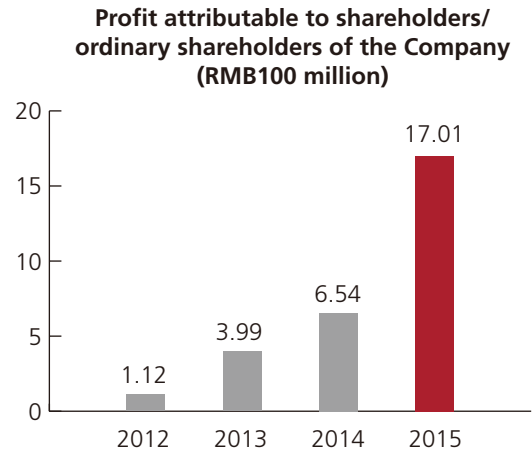
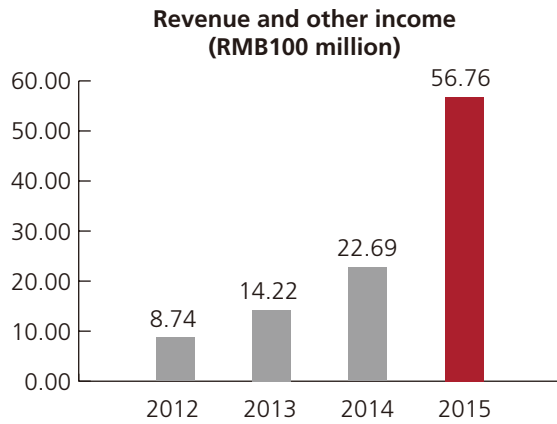
Item	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Total assets	39,167,673	21,817,518	9,880,133	9,633,290
Total liabilities	29,434,641	16,542,521	5,223,246	5,266,124
Accounts payable to brokerage clients	13,977,558	7,555,457	3,722,632	4,297,157
Total equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities	9,531,668	5,274,997	4,656,887	4,367,166
Total share capital (<i>'000 shares</i>)	2,604,567	2,194,707	2,194,707	2,194,707

Key financial indexes

Item	2015	2014	2013	2012
Basic earnings per share	0.72	0.3	0.18	0.05
Diluted earnings per share	0.72	0.3	0.18	0.05
Weighted average return on net assets (%)	24.21%	13.22%	8.85%	2.75%

Item	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Gearing ratio (%)	61.36%	63.01%	24.37%	18.16%
Net asset value per share attributable to ordinary shareholders (RMB/share)	3.08	2.40	2.12	1.99

Summary of Accounting and Business Data



Summary of Accounting and Business Data

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

The consolidated financial statements prepared by the Company in accordance with International Financial Reporting Standard and the consolidated financial statements prepared in accordance with China's Accounting Standards for Business Enterprises show no material difference in the net profit for 2015 and 2014 and the net assets as at December 31, 2015 and December 31, 2014.

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

During the Reporting Period, related risk control indexes including the Company's net capital met the regulatory requirements.

Unit: in RMB'000

<u>Item</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Regulatory standard</u>
Net capital	6,442,197	4,073,418	–
Net assets	9,468,951	5,243,682	–
Net capital/sum of risk provisions (%)	548.07%	581.46%	>100%
Net capital/net assets (%)	68.03%	77.68%	>40%
Net capital/liabilities (%)	52.25%	52.51%	>8%
Net assets/liabilities (%)	76.80%	67.60%	>20%
Proprietary equity securities and securities derivatives/net capital (%)	47.90%	34.11%	<100%
Proprietary fixed income securities/net capital (%)	100.13%	70.61%	<500%

Management Discussion and Analysis

I. ECONOMIC AND MARKET ENVIRONMENT DURING THE REPORTING PERIOD

In 2015, in face of the complicated international economic environment and the increasingly downward pressure on economy, Macroeconomic growth of the PRC trended down gradually. In the year, China's GDP grew by 6.9%, 0.4 percentage points lower than 2014. Meanwhile, China's market-oriented reform of interest rate and exchange rate as well as the capital account liberalization were accelerated. Accordingly, the development space of China's capital market was further broadened. In 2015, the monetary policy provided stronger support to the real economy after the central bank of China conducted interest rate and reserve requirement ratio cuts for five times in the year, thus maintaining a relatively loose liquidity in the market.

In 2015, China's stock market witnessed extreme volatilities with an annual increase of 9.41% and 14.98% in Shanghai composite index and Shenzhen component index, respectively. In the first half of 2015, driven by the loose liquidity, stock indexes in Shanghai and Shenzhen consecutively generated recordable results and hit the annual apex in June 2015. However, the stock market nosedived in mid-to-end June 2015, with the market risk and credit risk increasing sharply. In the second half of 2015, Shanghai and Shenzhen stock markets fluctuated in a range and tended to stabilize. In 2015, the trading volumes in Shanghai and Shenzhen stock markets were increased considerably, with the total turnover for equity funds amounting to RMB142,940.244 billion and RMB127,383.472 billion, respectively. The aggregate turnover for equity funds in Shanghai and Shenzhen stock market amounted to RMB270,323.716 billion, representing a year-on-year increase of 242.35%.

II. ANALYSIS OF PRINCIPAL BUSINESS

During the Reporting Period, the Group recorded consolidated revenue and other income of RMB5,676.19 million, representing a year-on-year increase of 150.11%, and consolidated net profit of RMB1,711.45 million, representing a year-on-year increase of 161.65%.

(I) Brokerage and wealth management business

During the Reporting Period, the consolidated revenue and other income from brokerage and wealth management business amounted to RMB3,237.90 million, representing a year-on-year increase of 179.25%.

1. Securities brokerage

During the Reporting Period, the full utilisation of Internet technologies and increasing efforts on promotion of online account opening business directly pushed the rapid growth of the business scale and operating income of securities brokerage business: the number of new accounts opened throughout the year reached 870,000 (including 460,000 online accounts), representing a year-on-year increase of 104%; as at the end of the Reporting Period, the total assets under custody for clients reached RMB129,067 million, representing a year-on-year increase of 88.14%; the revenue and other income amounted to RMB2,045.86 million, representing a year-on-year increase of 172.77%.

Management Discussion and Analysis

Prospects for 2016

In 2016, the Company will continue to seek new development of securities brokerage business by promoting the innovation, thus further advancing the transformation of revenue model. Additional efforts will be exerted by the Company to strengthen the management of account opening and expedite the transformation and innovation of old branches to fulfil the target of streamlined management. The Company will proactively develop offline sales channels to extend the coverage of branch network.

2. Futures brokerage

During the Reporting Period, the revenue and other income from futures brokerage business amounted to RMB76.88 million, representing a year-on-year increase of 48.02%. The trading volumes of a number of bulk commodities ranked among top 10 in the exchange. During the Reporting Period, Hengtai Futures intensified client development and IB business, resulting in a rapid growth of the interests of futures brokerage business. Meanwhile, a derivative service platform was built for securities branches using IB business as the bridge. While deepening wealth management and facilitating the establishment of the platform for wealth management and risk management of derivatives, the company accelerated the development of investment advisory business, provided professional research reports on bulk commodity market and relevant reports on investment strategy and offered various customized services to clients in the industry.

Prospects for 2016

In 2016, based on key commodities and financial derivatives, Hengtai Futures will speed up strategic transformation with its focus placed on serving clients, improve its income structure, accelerate in-depth cooperation with Internet enterprises in setting up an Internet-based financial business platform to improve the capacity and service level of financial innovation, and increase income from innovative business.

3. Wealth management

During the Reporting Period, the Company continuously enriched its product lines and improved its capacity in respect of customer service from the perspective of clients to expand its business influence. The Company enhanced the construction of customer service team while actively cooperated with third party platforms to extend the dominance of its investment and consulting business. Throughout the year, the Company sold 140 financial products and recorded a sales amount of RMB9,925 million, representing a year-on-year increase of 113.3%. The revenue and other income amounted to RMB28.40 million, representing a year-on-year increase of 586.65%.

Management Discussion and Analysis

Prospects for 2016

In 2016, the Company will intensify the combination of marketing and service, and accelerate the development of innovation business. Special marketing campaigns will be carried out with the focus laid on redevelopment of existing clients and maintenance of key clients. In addition, the Company will propel the development of Shanghai-Hong Kong Stock Connect options, and other innovative businesses and further optimize the structure of financial product line.

4. Capital-based intermediary business

During the Reporting Period, facing the market situation with drastic fluctuations, the Company guaranteed stable income as a result of the reduction of clients' exposure to risks and reasonable control of business risk by means of adjustment to the leverage level of margin financing and securities lending at due time. Throughout the year, the Company recorded revenue and other income of approximately RMB1,086.75 million from capital-based intermediary business, representing a year-on-year increase of 206.58%, including revenue and other income of RMB1,048.58 million from margin financing and securities lending and revenue and other income of RMB38.17 million from securities-backed lending. As at the end of 2015, the size of margin financing and securities lending reached RMB6,195 million, ranking the 45th in the market.

Prospects for 2016

The Company will conduct enhancement in terms of guiding and training new clients and maintenance and standardization of existing clients. With a view to improve risk management, the Company will strengthen the analysis and management of clients. In addition, it will reinforce capital management and control costs in a reasonable manner, so as to guarantee the Company's income.

(II) Investment banking business

During the Reporting Period, the revenue and other income from investment banking business amounted to RMB288.83 million, representing a year-on-year increase of 92.81%.

During the Reporting Period, the Company was proactive in innovation of investment banking business. While steadily developing traditional advantageous businesses including IPO, refinancing and enterprise bonds, it vigorously developed corporate bonds, merger and reorganisation, and NEEQ. All the businesses saw a significant increase. Throughout the year, the Company undertook 15 underwriting projects, with a total underwriting amount of RMB8,983.31 million, representing a year-on-year increase of 40%.

Management Discussion and Analysis

Equity financing: during the Reporting Period, the Company completed three merger and reorganisation projects and two refinancing projects, with the total financing amount of RMB3,583 million, representing a year-on-year increase of 900%. Debt financing: during the Reporting Period, the Company completed six enterprise bonds projects and four corporate bonds projects, with the total financing amount of RMB5,400 million, representing a year-on-year increase of 17%.

Business of listing on the NEEQ: during the Reporting Period, the government energetically guided the restructuring and listing of enterprises by successively introducing relevant policies and regulations, contributing to a new appearance of the national over-the-counter market. The Company seized favorable opportunities to greatly propel the business of listing on the NEEQ and achieved rapid growth in terms of business size and income. During the Reporting Period, the number of new projects reached 150, with a total amount of RMB150 million; the number of enterprises recommended by the Company for listing and awarded with the listing approval was 19; and the applications of 10 enterprises were under review. In addition, the Company completed four capital increase projects.

Prospects for 2016

In 2016, the Company will follow the market reform in investment banking business and promote the compliant and sustainable development of key industries, including merger and reorganisation, enterprise bonds and corporate bonds. It will endeavor to achieve greater enhancement of the Company's capacity to serve clients, apparent reinforcement of clients' loyalty to cooperation and rapid development in respect of provision of comprehensive financial services to clients by the Company by means of vigorous promotion of innovative businesses and enriching business types. Furthermore, it will try its best effort to impel the business of listing on the NEEQ to increase the proportion of the NEEQ business in the income from investment banking business; and strengthen the cultivation of follow-up service capacity of the NEEQ business for better serving clients.

(III) Investment management business

1. Assets management

During the Reporting Period, the revenue and other income from investment management business amounted to RMB999.95 million, representing a year-on-year increase of 179.61% including the revenue and other income from asset management business amounted to 807.43 million. As at the end of 2015, the total size of asset management business of the Company was RMB41,402 million, of which the size of collective scheme, targeted scheme, asset securitization and futures asset management scheme amounted to RMB4,952 million, RMB10,950 million, RMB23,960 million and RMB969 million, respectively.

Management Discussion and Analysis

During the Reporting Period, the Company had a total of 20 products under collective asset management schemes and set asset management products of the NEEQ, forming a good momentum of continuous diversification of products. In the mean time, the results of products investment ranked the top in the industry. As at the end of 2015, the Company had a total of 32 products under targeted asset management schemes. In addition to the established business network which was engaged in capital cooperation with a number of channels including insurance, bank and enterprise, the Company gave full play to the synergistic effects of other businesses of the Company for building a business platform.

During the Reporting Period, the Company completed 19 asset securitization projects, with a total amount of RMB23.96 billion, leading the industry in terms of the quantity and size of issuance and establishing a position with competitive advantages and a good brand image for the Company in the industry, and rated as the 2015 Excellent Scheme Manager by the Shanghai Stock Exchange. Hengtai Futures, a subsidiary of the Company, was awarded the qualification for asset management business in August 2015, and carried out futures asset management business and completed the issuance and preparation of a number of products in 2015. In respect of marketing, the Company actively sought for cooperation with private equity funds and third party platforms to consolidate channel construction.

Prospects for 2016

In 2016, the focus of asset management business will be placed on structured investment in the secondary market and the expansion of business size. The Company will make more efforts on investment research, well perform investment management and improve active management capacity to form effective competitiveness and boost business development. Moreover, it will strive to make breakthroughs in respect of cooperation with external channels on the basis of broadening product sales channels. Besides, it will quicken innovation research to improve product design capacity and enrich the existing product structure, aiming at achieving the development goal of “product seriation, service customization and platform based management”.

2. Fund management

During the Reporting Period, New China Fund, a subsidiary of the Company, continued to strengthen the construction of an investment research team and maintained stable investment results while keeping channel expansion and maintenance as well as promotion of product sales. The company intensified its capacity in terms of market expansion and channel maintenance based on the characteristics of products and clients, and formed a diversified pattern of sales channels consisting of direct sale, banks, securities dealers and third parties. New China Fund had 31 publicly-raised funds and management size amounted to RMB34.4 billion, representing a year-on-year increase of RMB14.7 billion or 75%. As of the end of the Reporting Period, New China Fund recorded outstanding results and became an important profit growth point. The size of asset management with special accounts of New China Fund reached RMB9.8 billion. For the year 2015, New China Fund recorded revenue and other income of RMB188.05 million.

Management Discussion and Analysis

Prospects for 2016

In 2016, the focus of fund management business will still be investment research. New China Fund will seek diversified development and intensify brand publicity to increase the company's recognition and influence among channels and clients. It will devote greater efforts on market development to increase sales volume of products. In order to increase the company's recognition among channels and clients, the company will reinforce brand and image building and lay emphasis on publicity and collection of fund products relying on the Internet platform, thus facilitating the building and popularization of brand image.

3. Private equity investment business

During the Reporting Period, Hengtai Capital, a subsidiary of the Company, proactively engaged in equity investment, issued direct investment funds and consolidated post-investment management. Throughout 2015, the company made equity investment in six enterprises with a total investment amount of RMB205 million, issued three direct investment funds with a total size of RMB263 million, and reserved 20 new projects. Its post-investment management was further consolidated. Out of the 11 projects invested by the company, five were placed in the secondary market by way of back-door listing or listing on NEEQ and the remaining projects were still under listing preparation.

Prospects for 2016

In 2016, in respect of equity investment business, Hengtai Capital will further consolidate post-investment management to achieve exist of projects and equity realization of projects in the lock-up period. The investment size will be expanded by virtue of leverage and fundraising. The company will increase profit points through merger and reorganisation, capital increase and financial advisory. It will deepen the cooperation with existing clients and increase target client bases, and reinforce team construction to build powerful investment team and sales team.

4. Alternative investment

During the Reporting Period, in respect of alternative investment, HengTai Pioneer, the subsidiary of the Company carried out post-investment management of projects in a proactive manner and obtained good benefits. Throughout the year, the company recorded revenue and other income of RMB1.10 million from alternative investment. The key business fields of alternative investment include real estate investment and art investment, film investment, etc.

Management Discussion and Analysis

Prospects for 2016

In 2016, Hengtai Pioneer will continue to proceed with the business transformation. The investment fields will change from real estate and cultural artworks into Internet finance and sports, and the business model will change from direct investment and financing into the model of platform-based management of the investment of the company's subsidiaries.

(IV) Proprietary trading

In 2015, although the domestic A share market was highly volatile, the Company adhered to the investment principle of prudent operation and strict risk control regarding its proprietary business. The revenue and other income from the proprietary business amounted to RMB1,019.09 million for the year, representing a year-on-year increase of 75.76%.

During the Reporting Period, in terms of stock investment business, the Company mainly carried out activities concerning private placement of additional shares as well as price consultation, subscription and investment of new shares. The revenue and other income therefrom amounted to RMB532.60 million, ranking top among peers. In terms of securities investment business, the Company invested in structured asset management products with inferior grade while actively conducting such innovative businesses as treasury bond futures, dealer-quoted repurchases from stock exchanges. Through accurate insight into market, the Company recorded revenue and other income of RMB375.19 million from this business. In terms of share transfer market-making business, the Company, being among the first batch of qualified securities companies for market making, witnessed soaring development in its NEEQ market making business in 2015 and recorded revenue and other income of RMB111.30 million. As at the end of 2015, the Company provided market making quotation services to 60 enterprises.

Prospects for 2016

In 2016, the Company will adhere the principle of prudent investment in proprietary business, strengthen risk control, and select flexible investment strategy for better results. In addition, the Company will conduct various innovative businesses in a move to explore new profit contributor. As for NEEQ market making business, the Company will further enhance the overall return from the market making through increasing the number of high-quality market making enterprises.

Management Discussion and Analysis

(V) Others

1. International business

During the Reporting Period, the Company took the initiative to conduct related research and exploration of its international business while making contacts with overseas institutions, which laid a sound foundation for future development of international business. As affected by the highly volatile global market, the expected rise of interest rates by the Federal Reserve System as well as the uncertain international situation, the Company didn't record operating revenue in its international business.

Prospects for 2016

In 2016, the Company will continue to expand its international business coverage overseas for the purpose of acquiring extensive overseas investment resources. Upon fully understanding the needs of potential customers, the Company will endeavor to issue foreign investment products and cultivate the capacity of international asset management. Further, the Company will recommend domestic enterprises to seek listing overseas through providing finance consultation service.

2. Asset custody business

During the Reporting Period, the asset custody business had a decent start and rapid growing management scale. In August 2015, the Company commenced business expansion upon obtaining the qualification of custodian business for securities investment funds. As at the end of 2015, 55 custody and outsourcing contracts were entered into, 21 funds were established with total amount reaching RMB576 million and 16 contracts are in the process of negotiation. During the Reporting Period, the Company officially applied for the qualification of funds outsourcing business and is currently subject to approval for filing with the SAC.

Prospects for 2016

In 2016, the Company will seek rapid growth in the total scale of its asset custody business by focusing on the development of fund subsidiaries, asset management of securities companies, large and medium scale private equity management companies and other institutional customers. Meanwhile, the Company will endeavor to complete filing of its qualification of funds outsourcing business as soon as possible.

III. FINANCIAL STATEMENTS ANALYSIS

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

During the Reporting Period, the Group recorded revenue and other income of RMB5,676.19 million in aggregate, representing a year-on-year increase of 150.11%. Net profit attributable to shareholders of the Company amounted to RMB1,700.77 million, representing a year-on-year increase of 160.02%, which is the highest growth in recent years. Earnings per share amounted to RMB0.72, representing a year-on-year increase of 140%. Weighted average return on net assets was 24.21%, representing a year-on-year increase of 10.99 percentage points.

(II) Asset structure and asset quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB39,167.67 million, up by 79.52% as compared to RMB21,817.52 million as at the end of 2014. Total liabilities amounted to RMB29,434.64 million, up by 77.93% as compared to RMB16,542.52 million as at the end of 2014. Equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities amounted to RMB9,531.67 million, up by 80.70% as compared to RMB5,275.00 million as at the end of 2014. Net proceeds arising from listing of the Company's H shares had resulted in increase in equity of RMB1,260.50 million.

The Group's asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, the total assets of the Group comprised of: cash assets, which primarily included cash and bank balances, clearing settlement funds, refundable deposits and cash held on behalf of brokerage clients, amounted to RMB18,409.19 million, representing 47% of the Group's total assets; margin assets, which primarily included margin accounts receivable and financial assets held under resale agreements, amounted to RMB6,500.95 million, representing 16.6% of the Group's total assets; financial investment assets, which primarily included investment in associates and investment in financial assets, amounted to RMB12,626.10 million, representing 32.2% of the Group's total assets; save for the above items, assets of other categories amounted to RMB1,631.44 million, representing 4.2% of the Group's total assets.

The Group's gearing ratio and operating leverage ratio remained relatively stable. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB15,457.08 million, representing a year-on-year increase of RMB6,470.02 million or 71.99%. The gearing ratio of the Group was 61.36%, down by 1.64 percentage points from 63.0% as at the end of 2014 (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 2.64 folds, down by 2.22% from 2.70 folds as at the end of 2014 (Note: operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities).

Management Discussion and Analysis

(III) Financing channels and financing ability

The Company has met its operating capital requirement through equity financing and debt financing. On the Listing Date, the Company successfully listed on Hong Kong Stock Exchange. Proceeds from the public issue and exercise of over allotment option (after deduction of the related issue expenses) amounted to RMB1.26 billion. Upon listing, the Company is able to conduct equity financing through additional issue of shares and share placement. Debt financing of the Company included the issuance of short-term commercial paper, short-term corporate bonds, subordinated bonds, beneficiary certificates and refinancing of funds as well as interbank lending.

In 2015, the Company raised proceeds of RMB1,000 million from the short-term corporate bonds. Accumulated proceeds raised from the issue of short-term commercial paper amounted to RMB1,900 million. Accumulated placements from China Securities Finance Co., Ltd. amounted to RMB2,310 million. Accumulated capital inflow from beneficiary certificates amounted to RMB2,295 million and accumulated capital inflow from subordinated bonds amounted to RMB200 million. Meanwhile, the Company received comprehensive credit line with greater limit granted by several banks.

(IV) Liquidity management of the Company

The Company focuses on its liquidity management. It has established a specific department responsible for liquidity management. The Company's liquidity management focused on the organic combination of the security, liquidity and profitability of capital. As requested by the CSRC, the Company established sound management system and contingency measure for liquidity risk. The Company has prepared monthly liquidity monitor statement. The liquidity monitor index of the Company in each month throughout 2015 complied with the regulatory requirements.

(V) Cash flow

Net cash flow of the Group arising from operating activities for 2015 amounted to RMB-1,941.86 million, down by RMB570.01 million from RMB-1,371.85 million in the corresponding period in 2014. Net cash flow arising from investment activities for 2015 amounted to RMB-1,046.31 million, down by RMB1,079.94 million from RMB33.63 million in the corresponding period in 2014. Net cash flow arising from financing activities for 2015 amounted to RMB4,508.32 million, up by RMB2,044.81 million from RMB2,463.51 million in the corresponding period in 2014. Net increase in cash and cash equivalents for 2015 amounted to RMB1,554.07 million, up by RMB428.70 million from RMB1,125.37 million in the corresponding period in 2014.

Management Discussion and Analysis

(VI) Analysis on operating revenue and profit

1. Items under income statement

During the Reporting Period, the Group's profit before income tax amounted to RMB2,195.27 million, representing a year-on-year increase of 162.18%. The key financial results are as follows:

Unit: in RMB million

Items	2015	2014	Changes	Growth rate
Revenue				
Fee and commission income	3,244.92	1,106.56	2,138.36	193.24%
Interest income	918.79	341.03	577.76	169.42%
Net investment gains	1,440.53	800.52	640.01	79.95%
Other income and gains	71.95	21.34	50.61	237.16%
Total revenue and other income	5,676.19	2,269.45	3,406.74	150.11%
Total operating expenses	3,493.39	1,447.27	2,046.12	141.38%
Share of profits of associates	12.466	15.152	(2.686)	(17.73%)
Profit before income tax	2,195.27	837.33	1,357.94	162.18%
Income tax expense	483.82	183.23	300.59	164.05%
Profit for the year	1,711.45	654.11	1,057.34	161.65%
Net profit attributable to ordinary shareholders of the Company	1,700.77	654.11	1,046.66	160.01%

Management Discussion and Analysis

Revenue structure

During the Reporting Period, total revenue and other income of the Group amounted to RMB5,676.19 million, representing a year-on-year increase of 150.11%. Among which, the proportion of fee and commission income was 57.17%, representing a year-on-year increase of 8.41 percentage points. The proportion of interest income was 16.19%, representing a year-on-year increase of 1.16 percentage points. The proportion of net investment gains was 25.38%, representing a year-on-year decrease of 9.9 percentage points. The revenue structures of the Group in the past four years are as follow:

Items	2015	2014	2013	2012
Fee and commission income	57.17%	48.76%	56.1%	61.6%
Interest income	16.19%	15.03%	12.1%	12.6%
Net investment gains	25.38%	35.27%	30.3%	25.0%
Other income and gains	1.27%	0.94%	1.5%	0.7%
Total	100.00%	100.00%	100.0%	100.0%

Fee and commission income

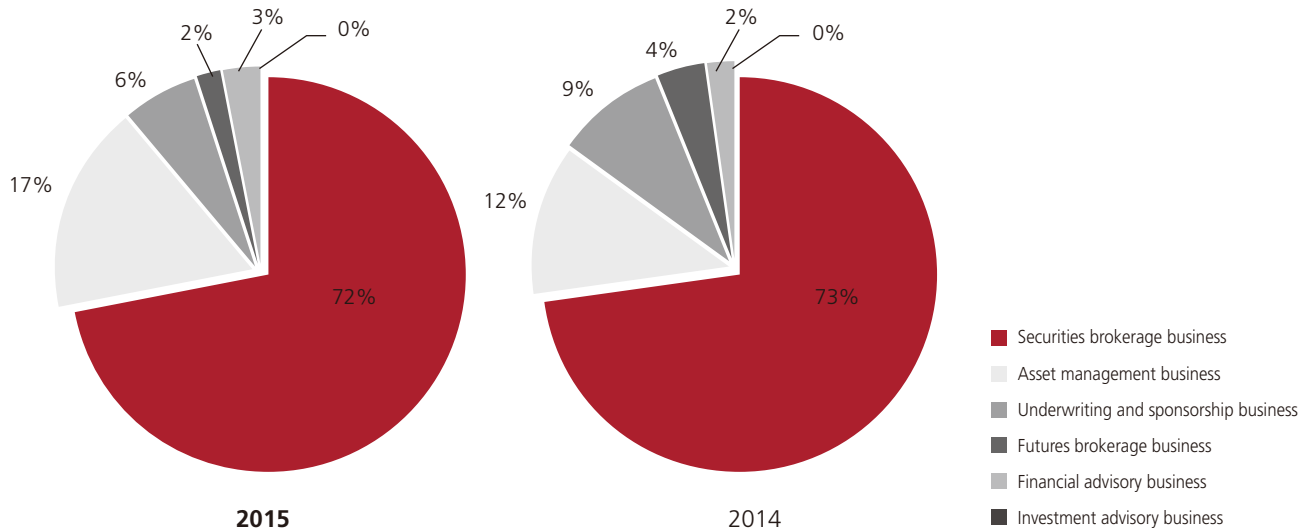
During the Reporting Period, the Group's fee and commission income consists of the following:

Unit: in RMB million

Items	2015	2014	Changes	Growth rate
Fee and commission income				
Securities brokerage business	2,329.25	811.86	1,517.39	186.90%
Asset management business	553.02	129.50	423.52	327.04%
Underwriting and sponsorship business	209.76	98.55	111.21	112.85%
Futures brokerage business	58.43	38.03	20.40	53.64%
Financial advisory business	81.89	24.57	57.32	233.29%
Investment advisory business	12.58	4.05	8.53	210.62%
Total fee and commission income	3,244.92	1,106.56	2,138.36	193.24%
Fee and commission expenses	300.50	95.97	204.53	213.12%
Net fee and commission income	2,944.42	1,010.59	1,933.83	191.36%

Management Discussion and Analysis

The Group's fee and commission income consists of:



During the Reporting Period, net fee and commission income of the Group amounted to RMB2,944.42 million, representing a year-on-year increase of 191.36%. The increase was primarily attributable to the increase in fee and commission, asset management, underwriting and sponsorship and financial advisory generated from securities brokerage business.

Fee and commission income generated from securities brokerage business increased RMB1,517.39 million or 186.9% year-on-year, primarily attributable to significant increase in daily transaction volume of securities and funds in the active stock market in China during 2015, as well as the increase in market share of the Company. Although the average commission rate of the Company has declined, the fee and commission income generated from securities brokerage business still recorded significant growth.

Fee income generated from asset management business increased to RMB423.52 million, representing an increase of 327.04%, primarily attributable to the rapid development of asset management business by expanding such business by way of the implementation of filing system for asset securitization business.

Underwriting and sponsorship income generated from investment banking business increased by RMB111.21 million or 112.85% year-on-year, primarily attributable to the increase in business revenue from last year thanks to the efforts in steadily advancing the IPO project and expanding advantages in corporate bonds, etc. Financial advisory income generated from investment banking business increased by RMB57.32 million or 233.29% year-on-year, primarily attributable to the excellent results achieved as a result of its aggressive development and expansion of NEEQ by grasping the opportunities arising from the development of such business.

Fee and commission income generated from futures brokerage business increased by RMB20.40 million or 53.64% year-on-year, primarily attributable to the increase in futures transactions.

Management Discussion and Analysis

Interest income

During the Reporting Period, net interest income of the Group amounted to RMB164 million, representing a year-on-year increase of 19.1%. The Group's net interest income for 2015 consists of the following:

Unit: in RMB million

Items	2015	2014	Changes	Growth rate
Interest income				
Deposit in financial institutions	329.20	142.44	186.76	131.11%
Margin financing and securities lending	548.40	185.44	362.96	195.73%
Financial assets held under resale agreements	40.13	11.35	28.78	253.57%
Others	1.05	1.80	(0.75)	(41.67%)
Total interest income	918.79	341.03	577.76	169.42%
Interest expenses	754.75	203.30	551.45	271.25%
Net interest income	164.04	137.73	26.31	19.10%

Interest income from bank deposits increased by RMB186.76 million or 131.11% year-on-year, primarily attributable to the increase in interest income as a result of rise in size of client margin deposit.

Interest income from financial assets held under resale agreements increased by RMB28.78 million or 253.57% year-on-year, primarily attributable to the increase in size of securities-backed lending business.

Interest income from margin financing and securities lending increased by RMB362.96 million or 195.73% year-on-year, primarily attributable to the increase in size of margin financing and securities lending business.

Interest expenses increased by RMB551.45 million or 271.25% year-on-year, primarily attributable to the increase in the Company's leverage, interest expenses on client funds deposit, financial assets sold under repurchase agreements, placements from other banks and bonds payable and bonds payable.

Management Discussion and Analysis

Net investment gains

During the Reporting Period, net investment gains of the Group amounted to RMB1,440.53 million, representing a year-on-year increase of 79.95%, mainly attributable to satisfactory return on investment. The Group's net investment gains for 2015 consist of the following:

Unit: in RMB million

<u>Items</u>	<u>2015</u>	<u>2014</u>	<u>Changes</u>	<u>Growth rate</u>
Net investment gains				
Net Realised net gains from disposal of available-for-sale financial assets	438.61	99.40	339.21	341.26%
Dividends income and interest income from available-for-sale financial assets	44.98	56.46	(11.48)	(20.33%)
Net gains from financial instruments at fair value through profit or loss	960.68	661.60	299.08	45.21%
Net losses from derivative financial instruments	(3.74)	(16.94)	13.20	(77.92%)
Total	1,440.53	800.52	640.01	79.95%

Management Discussion and Analysis

Operating expenses

During the Reporting Period, operating expenses of the Group (excluding fee and commission expenses and interest expenses) amounted to RMB2,438.14 million, representing a year-on-year increase of 112.38%. The Group's operating expenses primarily consist of the following:

Unit: in RMB million

<u>Items</u>	<u>2015</u>	<u>2014</u>	<u>Changes</u>	<u>Growth rate</u>
Staff costs	1,384.20	664.59	719.61	108.28%
Depreciation and amortization expenses	63.74	58.27	5.47	9.39%
Other operating expenses and business tax and surcharges	963.55	403.18	560.37	138.99%
Impairment losses	26.65	21.97	4.68	21.30%
Total	2,438.14	1,148.01	1,290.13	112.38%

Staff costs increased by RMB719.61 million or 108.28% year-on-year, primarily attributable to the increasing business performance and bonus as a result of business development and increased results during 2015.

Depreciation and amortization expenses increased by RMB5.47 million or 9.39% year-on-year, primarily attributable to the amortisation for the additional property and equipment and intangible assets.

Other operating expenses and business tax and surcharges increased by RMB560.37 million or 138.99% year-on-year, primarily attributable to significant increase in business tax and surcharges, the increase in rental expenses, expenses for listing of new H shares for the period not capitalised yet, client channeling fee and promotional fees.

Management Discussion and Analysis

Impairment losses amounted to RMB26.65 million, representing a year-on-year increase of RMB4.68 million. Details are as follows:

Unit: in RMB million

<u>Items</u>	<u>2015</u>	<u>2014</u>	<u>Changes</u>	<u>Growth rate</u>
Impairment losses				
Provision of margin financing and securities lending	8.53	19.59	(11.06)	(56.46%)
Provision of available-for-sale financial assets	16.00	–	16.00	N/A
(Reversal of)/provision of financial assets held under resale agreements	(1.05)	2.25	(3.30)	(146.67%)
Provision of impairment losses against other current assets	3.17	0.14	3.03	2,164.29%
Total	26.65	21.97	4.68	21.30%

Impairment losses on assets primarily included provision for financing business and provision for impairment of available-for-sale financial assets. Among which, impairment losses provision on available-for-sale financial assets during the Reporting Period were RMB16.00 million. Impairment losses on financing business of RMB8.53 million were the impairment provision for different risk exposures of financing business.

Management Discussion and Analysis

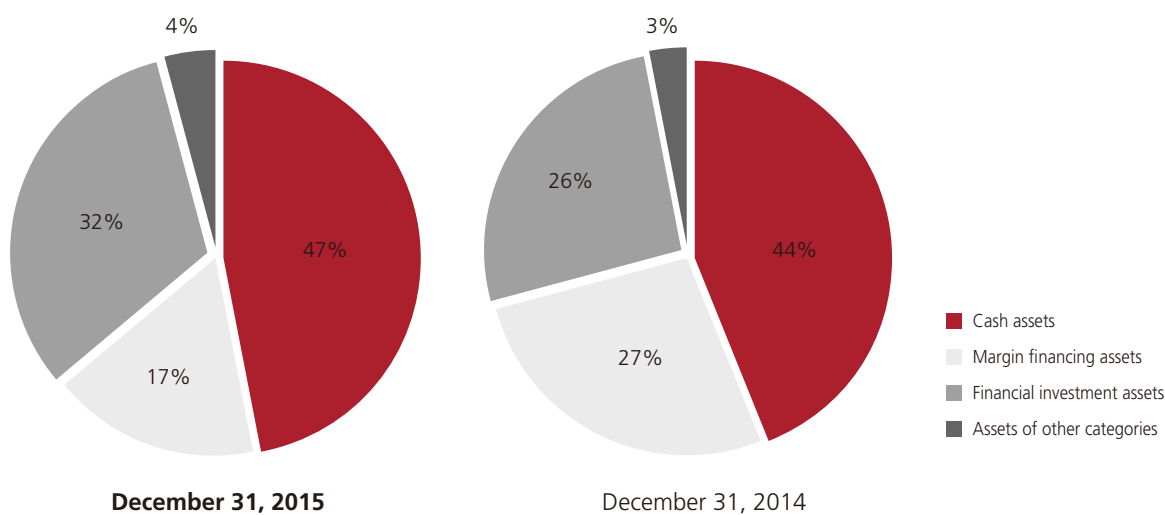
2. Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB39,167.67 million, representing a year-on-year increase of 79.52%, of which, cash assets amounted to RMB18,409.19 million, representing a year-on-year increase of 91.62%; margin financing assets amounted to RMB6,500.95 million, representing a year-on-year increase of 12.80%; financial investment assets amounted to RMB12,626.10 million, representing a year-on-year increase of 120.38%; and assets of other categories amounted to RMB1,631.44 million, representing a year-on-year increase of 127.24%. Changes in the total major assets of the Group are as follows:

Unit: in RMB million

Items	December 31, 2015	December 31, 2014	Changes	Growth rate
Total assets				
Cash assets	18,409.19	9,607.19	8,802.00	91.62%
Margin financing assets	6,500.95	5,763.03	737.92	12.80%
Financial investment assets	12,626.10	5,729.36	6,896.74	120.38%
Assets of other categories	1,631.44	717.94	913.50	127.24%
Total	39,167.67	21,817.52	17,350.15	79.52%

Total assets of the Group consist of:



Management Discussion and Analysis

Cash assets

As at the end of Reporting Period, cash assets of the Group increased by RMB8,802.00 million or 91.62% year-on-year, representing 47% of the Group's total assets. The Group's cash assets consist of the following:

Unit: in RMB million

Items	December 31, 2015	December 31, 2014	Changes	Growth rate
Cash assets				
Cash and bank balances and cash held on behalf of brokerage clients	16,665.24	8,883.80	7,781.44	87.59%
Clearing settlement funds	868.54	414.70	453.84	109.44%
Refundable deposits	875.42	308.69	566.73	183.59%
Total	18,409.19	9,607.19	8,802.00	91.62%

Changes in cash assets primarily reflected in cash and bank balances and cash held for brokerage clients.

Management Discussion and Analysis

Margin financing assets

As at the end of the Reporting Period, margin financing assets of the Group increased by RMB737.92 million or 12.8% year-on-year, representing 16.6% of the Group's total assets. The Group's margin financing assets consist of the followings:

Unit: in RMB million

Items	December 31, 2015	December 31, 2014	Changes	Year-on-year growth rate
Margin financing assets				
Margin accounts receivables	6,217.33	5,093.57	1,123.76	22.06%
Financial assets held under resale agreements	283.62	669.46	(385.84)	(57.63%)
Total	6,500.95	5,763.03	737.92	12.80%

Margin accounts receivable amounted to RMB6,217.33 million, representing a year-on-year increase of 22.06%. The increase was primarily attributable to the significant increase in the Group's margin financing and securities lending business.

Financial investment assets

As at the end of Reporting Period, financial investment assets of the Group increased by RMB6,896.74 million or 120.38% year-on-year, representing 32.24% of the Group's total assets. The following table set forth the composition of the Group's financial investment assets:

Unit: in RMB million

Items	December 31, 2015	December 31, 2014	Changes	Year-on-year growth rate
Financial investment assets				
Investment in associates	10.00	169.30	(159.30)	(94.09%)
Available-for-sale financial assets	2,744.51	1,754.09	990.42	56.46%
Financial assets at fair value through profit or loss	9,871.59	3,805.98	6,065.61	159.37%
Total	12,626.10	5,729.36	6,896.74	120.38%

Management Discussion and Analysis

Available-for-sale financial assets: As at the end of the Reporting Period, the available-for-sale financial assets of the Group increased by RMB990.42 million or 56.46% year-on-year, representing 7.01% of the Group's total assets. The Group's available-for-sale financial assets consist of the following:

Unit: in RMB million

Items	December 31, 2015	December 31, 2014	Changes	Year-on-year growth rate
Available-for-sale financial assets				
Stated at fair value:				
Debt securities	213.09	684.54	(471.45)	(68.87%)
Equity securities	523.17	763.44	(240.27)	(31.47%)
Asset management plans	1,940.42	250.61	1,689.81	674.28%
Wealth management products	–	3.00	(3.00)	(100.00%)
Investment funds	56.83	–	56.83	N/A
Trust schemes	–	52.50	(52.50)	(100.00%)
Subtotal	2,733.51	1,754.09	979.42	55.84%
Stated at cost:				
Equity securities	11.00	–	11.00	N/A
Total	2,744.51	1,754.09	990.42	56.46%

As at the end of the Reporting Period, the financial assets at fair value through profit or loss of the Group increased by RMB6,065.61 million or 159.37% year-on-year, representing 25.20% of the Group's total assets. The Group's financial assets at fair value through profit or loss consist of the following:

Unit: in RMB million

Items	December 31, 2015	December 31, 2014	Changes	Year-on-year growth rate
Financial assets at fair value through profit or loss				
Debt securities	7,172.29	2,521.54	4,650.75	184.44%
Equity securities	1,116.72	565.12	551.60	97.61%
Investment funds	1,369.05	689.13	679.92	98.66%
Asset management schemes	11.08	30.20	(19.12)	(63.31%)
Financial assets designated at fair value through profit or loss: debt securities	202.45	–	202.45	N/A
Total	9,871.59	3,805.98	6,065.61	159.37%

Management Discussion and Analysis

Assets of other categories

As at the end of the Reporting Period, assets of other categories of the Group amounted to RMB1,631.44 million, increased by RMB913.50 million or 127.24% year-on-year, representing 4.17% of the Group's total assets. The following table sets forth the composition of the Group's assets of other categories as at the date indicated:

Unit: in RMB million

Items	December 31, 2015	December 31, 2014	Changes	Year-on-year growth rate
Assets of other categories				
Property and equipment and investment properties	465.40	354.44	110.95	31.30%
Goodwill	43.74	13.14	30.60	232.88%
Intangible assets	87.84	53.95	33.89	62.81%
Deferred tax assets	103.82	2.73	101.09	3,702.93%
Other current assets and other non-current assets	930.65	293.68	636.97	216.89%
Total	1,631.44	717.94	913.50	127.24%

3. Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB29,434.64 million, representing a year-on-year increase of RMB12,892.12 million or 77.93%. As at the end of the Reporting Period, accounts payable to brokerage clients amounted to RMB13,977.56 million, representing a year-on-year increase of 85.00%. Financial assets sold under repurchase agreements amounted to RMB6,732.91 million, up by 125.97% year-on-year. The increase was primarily attributable to the expansion in exchange-quoted bond repurchase business and increase in transfer of equity rights in margin financing and securities lending and forward transferred borrowings. Placement from other financial institutions and debt

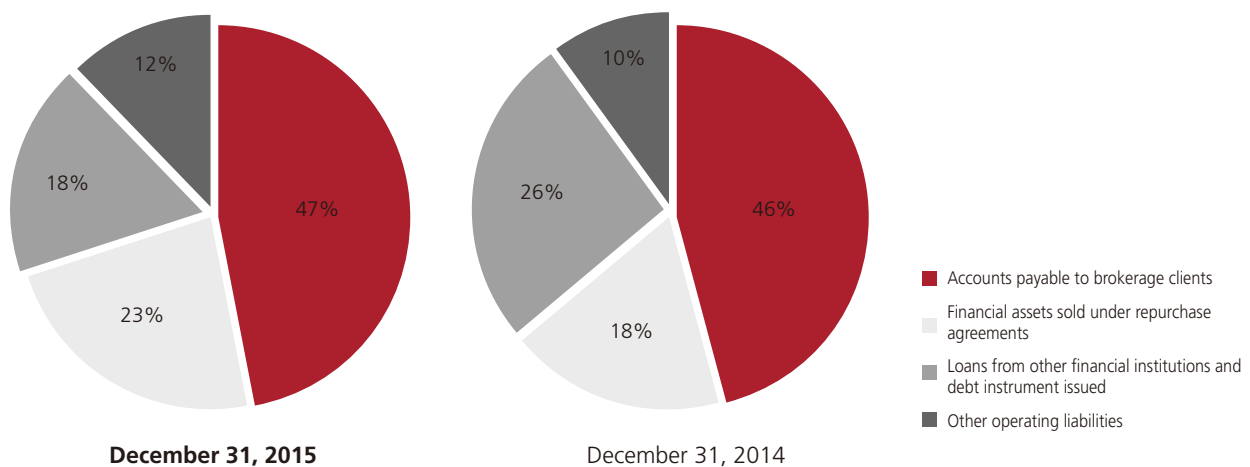
Management Discussion and Analysis

instruments issued amounted to RMB5,237.55 million, up by 20.82% year-on-year. Major changes in the Group's total liabilities are as follows:

Unit: in RMB million

Items	December 31, 2015	December 31, 2014	Changes	Year-on-year growth rate
Liabilities				
Accounts payable to brokerage clients	13,977.56	7,555.46	6,422.10	85.00%
Financial assets sold under repurchase agreements	6,732.91	2,979.55	3,753.36	125.97%
Placement from other financial institutions and debt instruments issued	5,237.55	4,335.00	902.55	20.82%
Other operating liabilities	3,486.62	1,672.51	1,814.11	108.47%
Total	29,434.64	16,542.52	12,892.12	77.93%

The Group's total liabilities consist of:



The Group does not have any overdue liability during the Reporting Period. For details on debt instruments issued, please refer to "V. Major Investment and Financing" under Section 5 "Management Discussion and Analysis" of this report.

Management Discussion and Analysis

Placement from other financial institutions and debt instruments issued

Unit: in RMB million

Items	December 31, 2015	December 31, 2014	Changes	Year-on-year growth rate
Placement from other financial institutions and debt instruments issued				
Placement from other financial institutions	565.00	1,635.00	(1,070.00)	(65.44%)
Debt instruments issued	4,672.55	2,700.00	1,972.55	73.06%
Total	5,237.55	4,335.00	902.55	20.82%

Placement from other financial institutions amounted to RMB565 million, decreased by 65.44% year-on-year. The decrease was primarily attributable to the reduction in such business as the end of the year resulted in decrease in financing amount from CSF.

Debt instruments issued, which included outstanding subordinated bonds, beneficiary certification and short-term corporate bonds issued by the Group, increased by RMB1,972.55 million year-on-year.

Other operating liabilities

Unit: in RMB million

Items	December 31, 2015	December 31, 2014	Changes	Year-on-year growth rate
Other operating expenses liabilities				
Employee benefits payable	749.44	275.90	473.54	171.63%
Deferred revenue	2.47	13.75	(11.28)	(82.04%)
Other current liabilities	2,487.58	1,167.89	1,319.69	113.00%
Current tax liabilities	210.46	69.67	140.79	202.08%
Deferred tax liabilities	14.40	92.39	(77.60)	(84.35%)
Financial liabilities at fair value through profit or loss	22.28	52.91	(30.63)	(57.89%)
Total	3,486.62	1,672.51	1,814.11	108.47%

Management Discussion and Analysis

Employee benefits payable increased by RMB473.54 million or 171.63% year-on-year, primarily attributable to the significant increase in Group's revenue and profit, which resulted in better operating results and increased provision for bonus.

Other current liabilities and current tax liabilities increased by RMB1,460.47 million, representing a year-on-year increase of 118.01% primarily attributable to (i) increase in interest payable as a result of rising active financing activities; and (ii) increase in payable to other investors of consolidated structure entities.

4. Equity

As at the end of the Reporting Period, total equity of the Group amounted to RMB9,733.03 million, up by 84.51% year-on-year. The increase was primarily attributable to the additional issue of perpetual bonds of RMB1,500.00 million, increase in equity of RMB1,260.5 million arising from net proceeds raised in listing of Company's H shares and the sharp increase in the Company's profits. The following table sets forth the composition of the Group's equity as at the date indicated:

Unit: in RMB million

Items	December 31, 2015	December 31, 2014	Changes	Year-on-year growth rate
Share capital	2,604.57	2,194.71	409.86	18.67%
Share premium	1,661.24	813.95	847.29	104.10%
Perpetual capital securities	1,500.00	–	1,500.00	N/A
Reserves	3,765.87	2,266.34	1,499.53	66.17%
Non-controlling interests	201.36	–	201.36	N/A
Total	9,733.03	5,275.00	4,458.03	84.51%

5. Segment results

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

The Group has five principal business lines: (i) brokerage and wealth management, (ii) investment banking, (iii) proprietary trading, (iv) investment management and (v) others. The following discussions of the Group's segment revenue and other income, segment expenses and segment results include the Group's inter-segment revenue and intersegment expenses.

Management Discussion and Analysis

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

Unit: in RMB million

	2015		2014	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Items				
Brokerage and wealth management	3,237.90	57.04%	1,159.48	51.09%
Investment banking	288.83	5.09%	149.80	6.60%
Proprietary trading	1,019.09	17.95%	579.81	25.55%
Investment management	999.95	17.62%	357.62	15.76%
Others	130.42	2.30%	22.74	1.00%
Total	5,676.19	100.00%	2,269.45	100.00%

The following table sets forth the Group's segment expenses for the years indicated:

Unit: in RMB million

	2015		2014	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Items				
Brokerage and wealth management	1,946.04	55.71%	783.53	54.14%
Investment banking	220.31	6.31%	102.58	7.09%
Proprietary trading	205.40	5.88%	165.39	11.43%
Investment management	703.95	20.15%	140.57	9.71%
Others	417.69	11.96%	255.21	17.63%
Total	3,493.39	100.00%	1,447.27	100.00%

Management Discussion and Analysis

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

Unit: in RMB million

	2015		2014	
	Amount	%	Amount	%
Items				
Brokerage and wealth management	1,291.86	59.18%	375.95	45.73%
Investment banking	68.52	3.14%	47.22	5.74%
Proprietary trading	813.69	37.28%	414.42	50.41%
Investment management	296.01	13.56%	217.05	26.39%
Others	(287.27)	(13.16%)	(232.47)	(28.72%)
Total	2,182.80	100%	822.18	100%

(VII) Contingent liability, capital commitment and other commitment

The particulars of contingent liability are set out in note 53 of the consolidated financial statements in this report.

The particulars of capital commitment and other commitment are set out in note 51 of the consolidated financial statement in this report.

IV CHANGES IN BRANCHES AND SUBSIDIARIES AND IMPACT ON RESULTS

(I) Branches of the Company

1. Establishment of and changes in operation branches

(1) Newly established securities branches

During the Reporting Period, the Company set up 56 new securities branches and was preparing the establishment of additional 20 securities branches according to the following approvals: Approval of Establishment of seven Securities Branches by Hengtai Securities Co., Ltd in, among others, Shanghai and Shenzhen (Nei Zheng Jian Xu Ke [2014] No. 28), Approval of Establishment of Securities Branches by Hengtai Securities Co., Ltd in Beijing and Shanghai (Nei Zheng Jian Xu Ke [2015] No. 4), Approval of Establishment of 37 Securities Branches by Hengtai Securities Co., Ltd in, among others, Beijing and Shanghai (Nei Zheng Jian Xu Ke [2015] No.8), Approval of the Establishment of 16 Securities Branches by Hengtai Securities Co., Ltd in, among others, Beijing and Shanghai (Nei Zheng Jian Xu Ke [2015] No.10), and Approval of Establishment of 14 Securities Branches by Hengtai Securities Co., Ltd in, among others, Beijing and Shenzhen (Nei Zheng Jian Xu Ke [2015] No.12), all issued by the Inner Mongolia Securities Regulatory Bureau (內蒙古證監局).

Management Discussion and Analysis

The 56 new branches are located in Beijing, Shanghai, Shenzhen, Hangzhou and other developed regions in China which lay the foundation for the Company to further expand market share and enhance influence. The details of which are as follows:

No.	Name of branch	Region (PRC)
1	Hengtai Securities Co., Ltd Shenzhen Shennan Blvd Securities Branch	Shenzhen, Guangdong
2	Hengtai Securities Co., Ltd Zhongshan Zhongshan No.4 Road Securities Branch	Zhongshan, Guangdong
3	Hengtai Securities Co., Ltd Guangzhou Zhujiang West Road Securities Branch	Guangzhou, Guangdong
4	Hengtai Securities Co., Ltd Liaocheng Huangshan South Road Securities Branch	Liaocheng, Shandong
5	Hengtai Securities Co., Ltd Tsingtao Nanjing Road Securities Branch	Tsingtao, Shandong
6	Hengtai Securities Co., Ltd Weifang Fushou East Street Securities Branch	Weifang, Shandong
7	Hengtai Securities Co., Ltd Shanghai Hongqiao Road Securities Branch	Shanghai
8	Hengtai Securities Co., Ltd Beijing Jianguo Road Securities Branch	Beijing
9	Hengtai Securities Co., Ltd Shanghai Longhua East Road Securities Branch	Shanghai
10	Hengtai Securities Co., Ltd Dalian Jinzhou Beishan Road Securities Branch	Dalian, Liaoning
11	Hengtai Securities Co., Ltd Tsingtao Alishan Road Securities Branch	Tsingtao, Shandong
12	Hengtai Securities Co., Ltd Changzhou Longjin Road Securities Branch	Changzhou, Jiangsu
13	Hengtai Securities Co., Ltd Beijing Suzhou Street Securities Branch	Beijing
14	Hengtai Securities Co., Ltd Chongqing Taishan Avenue Securities Branch	Chongqing
15	Hengtai Securities Co., Ltd Wuhan Xibei Road Securities Branch	Wuhan, Hubei
16	Hengtai Securities Co., Ltd Shanghai Dujuan Road Securities Branch	Shanghai

Management Discussion and Analysis

No.	Name of branch	Region (PRC)
17	Hengtai Securities Co., Ltd Shanghai Dongfang Road Securities Branch	Shanghai
18	Hengtai Securities Co., Ltd Shanghai Lujiazui Securities Branch	Shanghai
19	Hengtai Securities Co., Ltd Beijing Shangdisanjie Street Securities Branch	Beijing
20	Hengtai Securities Co., Ltd Dongguan Dalangmeijing Central Road Securities Branch	Dongguan, Guangdong
21	Hengtai Securities Co., Ltd Shanghai Haining Road Securities Branch	Shanghai
22	Hengtai Securities Co., Ltd Foshan Foping Road Securities Branch	Foshan, Guangdong
23	Hengtai Securities Co., Ltd Shenzhen Yitian Road Times Square Excellence Securities Branch	Shenzhen, Guangdong
24	Hengtai Securities Co., Ltd Hangzhou Jianghong Road Securities Branch	Hangzhou, Zhejiang
25	Hengtai Securities Co., Ltd Hangzhou Tiancheng Road Securities Branch	Hangzhou, Zhejiang
26	Hengtai Securities Co., Ltd Wenzhou Gu'an Road Securities Branch	Wenzhou, Zhejiang
27	Hengtai Securities Co., Ltd Shanghai Yan'an West Road Securities Branch	Shanghai
28	Hengtai Securities Co., Ltd Shanghai Zunyi Road Securities Branch	Shanghai
29	Hengtai Securities Co., Ltd Taizhou Shifu Avenue Securities Branch	Taizhou, Zhejiang
30	Hengtai Securities Co., Ltd Beijing Beixinzhuang Road Securities Branch	Beijing
31	Hengtai Securities Co., Ltd Guangzhou Tiyu West Road Securities Branch	Guangzhou, Guangdong
32	Hengtai Securities Co., Ltd Shanghai Xujiahui Road Securities Branch	Shanghai
33	Hengtai Securities Co., Ltd Shijiazhuang Huai'an Road Securities Branch	Shijiazhuang, Hebei
34	Hengtai Securities Co., Ltd Zhuhai Jiuzhou Avenue Fuhuali Securities Branch	Zhuhai, Guangdong

Management Discussion and Analysis

No.	Name of branch	Region (PRC)
35	Hengtai Securities Co., Ltd Yantai Yingchun Street Securities Branch	Yantai, Shandong
36	Hengtai Securities Co., Ltd Shenzhen Longcheng Avenue Securities Branch	Shenzhen, Guangdong
37	Hengtai Securities Co., Ltd Shenzhen Xiangmihu Road Securities Branch	Shenzhen, Guangdong
38	Hengtai Securities Co., Ltd Jiaxing Garden Road Securities Branch	Jiaxing, Zhejiang
39	Hengtai Securities Co., Ltd Taiyuan Pingyang Road Securities Branch	Taiyuan, Shanxi
40	Hengtai Securities Co., Ltd Shanghai Garden Road Securities Branch	Shanghai
41	Hengtai Securities Co., Ltd Shanghai Longteng Avenue Securities Branch	Shanghai
42	Hengtai Securities Co., Ltd Shanghai Qihe Road Securities Branch	Shanghai
43	Hengtai Securities Co., Ltd Hangzhou Zhaohui Road Securities Branch	Hangzhou, Zhejiang
44	Hengtai Securities Co., Ltd Nanning Minzu Avenue Securities Branch	Nanning, Guangxi Zhuang Autonomous Region
45	Hengtai Securities Co., Ltd Liuzhou Tianshan Road Securities Branch	Liuzhou, Guangxi Zhuang Autonomous Region
46	Hengtai Securities Co., Ltd Beijing East Third Ring Road Securities Branch	Beijing
47	Hengtai Securities Co., Ltd Rui'an Gongruishan Road Securities Branch	Rui'an Zhejiang
48	Hengtai Securities Co., Ltd Beijing Chaoyang Balizhuang Xili Securities Branch	Beijing
49	Hengtai Securities Co., Ltd Wuhan Yanjiang Road Securities Branch	Wuhan, Hubei
50	Hengtai Securities Co., Ltd Shenzhen Hongli Road Securities Branch	Shenzhen, Guangdong
51	Hengtai Securities Co., Ltd Shenyang Yunfeng Street Securities Branch	Shenyang, Liaoning

Management Discussion and Analysis

No.	Name of branch	Region (PRC)
52	Hengtai Securities Co., Ltd Shanghai Gushan Road Securities Branch	Shanghai
53	Hengtai Securities Co., Ltd Beijing Wanfeng Road Securities Branch	Beijing
54	Hengtai Securities Co., Ltd Beijing South Hunan Road Securities Branch	Beijing
55	Hengtai Securities Co., Ltd Shenzhen Jintian Road Securities Branch	Shenzhen, Guangdong
56	Hengtai Securities Co., Ltd Hangzhou Fuchun Road Securities Branch	Hangzhou, Zhejiang

(2) Relocation of securities branches

During the Reporting Period, eight branches of the Company were relocated, details of which are as follows:

No.	Name of branch before relocation	Name of branch after relocation	Address after relocation (PRC)
1	Hengtai Securities Co., Ltd Jining Guangming Street Securities Branch	Hengtai Securities Co., Ltd Ulanqab Jianshe Road Securities Branch	Room 301,302,303, Building K18 Anda Guoji Jiayuan, Enhe Road, Jining District, Ulanqab, Inner Mongolia (內蒙古自治區烏蘭察布市集寧區恩和路安大國際嘉園K18棟301、302、303)
2	Hengtai Securities Co., Ltd Baotou Youyi Street Securities Branch	Hengtai Securities Co., Ltd Baotou Wulan Road Securities Branch	Bottom No.9 Jinsedidai Apartment, Kunqu Wulandao, Baotou, Inner Mongolia (內蒙古自治區包頭市昆區烏蘭道金色地帶公寓9號底號)

Management Discussion and Analysis

No.	Name of branch before relocation	Name of branch after relocation	Address after relocation (PRC)
3	Hengtai Securities Co., Ltd Chifeng Linhuang Street Securities Branch	Hengtai Securities Co., Ltd Chifeng Tianyi Road Securities Branch	B9 South, Bajiazutuan Yulongjiayuan Community, Xincheng District, Chifeng, Inner Mongolia (內蒙古赤峰 市新城區八家組團玉龍家園 小區B9南側廳)
4	Hengtai Securities Co., Ltd Tongliao Center Street Securities Branch	Hengtai Securities Co., Ltd Tongliao Center Street Securities Branch (Note 4)	(1-2/F, Building 6, Halal Chech- in Halal Community) Yong'an Middle Road, Khorchin District, Tongliao, Inner Mongolia (內蒙古自治區通 遼市科爾沁區永安路中段 (清 真辦理處清真小區6號樓1-2 層))
5	Hengtai Securities Co., Ltd Wuhai Wuda Bayinsai Street Securities Branch	Hengtai Securities Co., Ltd Wuhai Wuda Bayinsai Street Securities Branch (Note 4)	1/F Shop, No.9, Jiefang South Road North to South, Binyuan Hotel, Wuda District, Wuhai, Inner Mongolia (內蒙 古自治區烏海市烏達區賓源 大酒店解放南路從北向南9號 一層商鋪)
6	Hengtai Securities Co., Ltd Changchun South Yingchun Road Securities Branch	Hengtai Securities Co., Ltd Changchun Dongfeng Street Securities Branch	Yiqi Finance Building, No.711 Dongfeng Avenue, Automotive Industry Development Zone, Changchun, Jilin (吉林省長春 市汽車產業開發區東風大街 711號一汽財務大廈)

Management Discussion and Analysis

<u>No.</u>	<u>Name of branch before relocation</u>	<u>Name of branch after relocation</u>	<u>Address after relocation (PRC)</u>
7	Hengtai Securities Co., Ltd Changchun Puyang Street Securities Branch	Hengtai Securities Co., Ltd Changchun Jingyang Street Securities Branch	Building A5, Zhonghai Kaixuanmen, Qimao Community East Jingyang Road South, Lvyuan District, District, Changchun, Jilin (吉林省長春市綠園區汽貿小區以東景陽大路以南中海凱旋門A5幢)
8	Hengtai Securities Co., Ltd Baishan Hunjiang Street Securities Branch	Hengtai Securities Co., Ltd Baishan Hunjiang Street Securities Branch (Note 4)	No. 171 Huijiang Street, Baishan, Jilin (吉林省白山市渾江大街171號)

Note 4: Name of the securities branch remained unchanged after relocation.

2. Establishment of new branch offices and changes in branch offices

The Group did not establish new branch office nor had any changes in the branch offices in the Reporting Period.

(II) Subsidiaries of the Company

During the Reporting Period, changes in the Company's major subsidiaries are as follows:

- On June 30, 2015, the registered capital of Hengtai Futures was increased from RMB100 million to RMB125 million. The capital increase was contributed in cash by Hengtai Capital, at a subscription price of RMB2 for RMB1 of registered shares, totalling RMB50 million. Upon completion of the capital increase, Hengtai Futures was held as to 80% and 20% by the Company and Hengtai Capital respectively.

On September 16, 2015, Hengtai Futures was converted into a joint stock company with limited liability, through converting the original carrying amount of net assets into shares.

Management Discussion and Analysis

2. On July 29, 2015, the Company acquired additional 57,500,000 shares in New China Fund at a consideration of RMB97.75 million, accounting for 14.87% of the equity interest in New China Fund. Upon completion of the capital injection, Hengtai Securities achieved control rights over New China Fund, with its equity interest in New China Fund being increased from 43.75% to 58.62%.

On September 28, 2015, New China Fund was converted into a joint stock company with limited liability as a whole, through converting the original carrying amount of net assets into shares.

Shenzhen New China Fushi Asset Management Co., Ltd., a subsidiary of New China Fund, increased its registered capital from RMB20 million to RMB50 million on May 27, 2015. Among the additional registered capital, RMB10 million was subscribed for by New China Fund. The shareholding percentage of New China Fund was decreased from 100% to 60% upon completion of the capital increase.

3. Hengtai Pioneer set up a wholly owned subsidiary, Beijing Hengtai Hongze Investment Co., Ltd. with a registered capital of RMB10 million. Obtaining the enterprise business license on April 8, 2015, the subsidiary mainly engages in project investment, investment management, asset management, investment consultation and corporate management consultation.

Hengtai Pioneer set up a wholly owned subsidiary, Beijing Hengtai Hengfu Information Service Co., Ltd. with a registered capital of RMB10 million. Obtaining the enterprise business license on April 17, 2015, the subsidiary mainly engages in economic and trade consultation, investment management, asset management, project investment, investment consultation and corporation management consultation. Hengtai Hengfu changed its name to Beijing Hengtai Puhui Information Service Co., Ltd. (北京恒泰普惠信息服務有限公司) on November 27, 2015.

Hengtai Pioneer set up a wholly owned subsidiary, Beijing Hengtai Hengzhong Information Service Co., Ltd. with a registered capital of RMB10 million. Obtaining the enterprise business license on July 16, 2015, the subsidiary mainly engages in investment management, asset management, project investment, investment consultation and corporation management consultation.

Hengtai Pioneer proposed to set up a subsidiary Hengtai Haihang Beijing Investment Management Company Co., Ltd. (held as to 51% by Hengtai Pioneer), with a registered capital of RMB2 million. Obtaining the enterprise business license on August 7, 2015, the subsidiary mainly engages in investment consultation, investment management and brokerage and trade consultation.

Management Discussion and Analysis

4. Hengtai Capital set up a wholly owned subsidiary, Shanghai Hongdian Investment Management Co., Ltd. with a registered capital of RMB100 million. Obtaining the enterprise business license on May 4, 2015, the subsidiary mainly engages in investment management, industrial investment, asset management, business consultation and corporate management consultation.

Hengtai Capital proposed to set up a subsidiary Inner Mongolia Hengtai Shengda Investment Management Co., Ltd. (held as to 51% by Hengtai Capital) with a registered capital of RMB30 million. Obtaining the enterprise business license on November 2, 2015, the subsidiary mainly engages in asset management, investment management and investment consultation services.

Hengtai Capital set up a Shenzhen Hengtai Baojuchang Investment Management Co., Ltd. (held as to 51% by Hengtai Capital) with a registered capital of RMB3 million. Obtaining the enterprise business license on June 24, 2015, the subsidiary mainly engages in investment management, entrusted asset management, equity fund management and investment consultation.

(III) Impact on results

1. During the Reporting Period, the Company has established 56 securities branches which recorded RMB42.35 million of revenue and other income and RMB0.11 million of losses in total in the year, having limited impact on the results of the Company for the year.
2. Hengtai Futures was supplemented with funds upon the capital increase, thus providing guarantee for Hengtai Futures to conduct new businesses, business innovation, and enhance corporate competitiveness. It also help Hengtai Futures address challenges arising from the market changes and capitalize on the market opportunities. The conversion of Hengtai Futures into a joint stock company with limited liability laid a foundation for Hengtai Futures to adapt to the change and development in the futures industry, shift operation mechanism as well as expand financing channels.
3. During the Reporting Period, the shareholding percentage of the Company in New China Fund was changed from 43.75% to 58.62%. Upon such change in equity interest, the Company changed its accounting treatment method to New China Fund, from investment income under the equity method in individual statements to consolidation of New China Fund into the Company's consolidated statements. Following the combination date, New China Fund recorded revenue and other income of RMB188.56 million. New China Fund recorded RMB183.26 million of revenue and RMB23.29 million of net profit and loss, both being represented in the consolidated statements of the Company.
4. During the Reporting Period, the newly established subsidiaries of Hengtai Pioneer recorded RMB25.71 million of revenue and other income and RMB2.16 million of net profit and loss in total.

Management Discussion and Analysis

- During the Reporting Period, the newly established subsidiaries and joint ventures of Hengtai Capital were still in the initial stage of establishment, and has not achieved economy of scale, a total of RMB0.98 million of revenue and other income and RMB2.49 million of net loss was recorded in the year.

V. MAJOR INVESTMENT AND FINANCING

(I) Equity financing

On September 9, 2015, the Company obtained the Approval for Issue of Overseas Listed Foreign Invested Shares by Hengtai Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 2089) issued by the CSRC, approving the Company to publicly issue overseas listed foreign investment shares (H shares) and list the same on the Main Board of Hong Kong Stock Exchange. On October 15, 2015, overseas listed shares of the Company were officially listed on the Hong Kong Stock Exchange. An aggregate of 450,846,000 H shares including shares sold by the Selling Shareholders were offered by the Company at a price of HK\$3.92 per share. The total proceeds amounted to HK\$1,767,316,320 (approximately RMB1.447 billion). The actual proceeds received by the Company (deducting the listing related expenses and the amount directly transferred into the national treasury pool due to share selling by the selling shareholders (namely reduction of state-owned shares) was RMB1,260,497,124.36.

(II) Debt financing

- Issue of short-term commercial papers

At the 2015 second extraordinary general meeting of the Company, the resolution in relation to the Application for the Issue of Short-term Commercial Papers by the Company was considered and approved. According to the Notice from PBOC for the Issue of Short-term Commercial Papers by Hengtai Securities (Yin Fa [2014] No. 123), the Company issued three tranches of short-term commercial papers in 2015, raising RMB1.9 billion in aggregate, particulars of which are as follows:

Abbreviation	Size of the issuance (RMB'00 million)	Interest rate	Term (day)	Interest commencement date	Expiry date
15 Hengtai Securities CP001	5	5.0%	92	2015-2-10	2015-5-12
15 Hengtai Securities CP002	7	5.15%	92	2015-3-24	2015-6-23
15 Hengtai Securities CP003	7	4.65%	90	2015-4-20	2015-7-18

Management Discussion and Analysis

2. Issue of beneficiary certificates

At the 2015 second extraordinary general meeting of the Company, the resolution in relation to the Application for the Issue of Beneficiary Certificates Products was considered and approved. The Company raised an aggregate of RMB2,295.25 million through issue of beneficiary certificates in 2015. As at December 31, 2015, the capital of the principal amount of outstanding beneficiary certificates amounted to RMB2,095.25 million, particulars of which are as follows:

Abbreviation	Size (RMB'00 million)	Interest rate	Term (day)	Interest commencement date	Expiry date
Hengfu No.1	2.4483	6.9%	539	2015-4-2	2016-9-21
Hengfu No.2	0.2816	6.9%	538	2015-4-3	2016-9-21
Hengfu No.3	0.3672	6.9%	539	2015-4-9	2016-9-28
Hengfu No.4	1.5166	6.9%	538	2015-4-10	2016-9-28
Hengfu No.5	0.2974	6.9%	546	2015-4-15	2016-10-11
Hengfu No.7	3.0414	6.9%	544	2015-4-17	2016-10-11
Hengfu No.8	2.0	7.1%	90	2015-4-22	2015-7-20
Hengfu No.9	3.0	6.55%	730	2015-5-6	2017-5-4
Hengfu No.11	2.0	6.65%	538	2015-5-20	2016-11-7
Hengfu No.12	3.0	6.0%	731	2015-6-30	2017-6-29
Hengfu No.13	5.0	4.9%	732	2015-9-18	2017-9-18

3. Issue of perpetual subordinated bonds

At the 2015 second extraordinary general meeting of the Company, the resolution in relation to the Application for the Issue of Perpetual Subordinated Bonds was considered and approved. The Company issued one tranche of perpetual subordinated bonds in 2015, raising an aggregate of RMB1.5 billion. As at December 31, 2015, the outstanding perpetual subordinated bonds amounted to RMB1.5 billion, particulars of which are as follows:

Abbreviation	Size (RMB'00 million)	Interest rate	Term (day)	Interest commencement date	Redemption date
Perpetual subordinated bonds issued in 2015	15	6.8%	1,827	2015-6-29	2020-6-29

Management Discussion and Analysis

4. Short-term corporate bonds

At the 2015 sixth extraordinary general meeting of the Company, the resolution in relation to the Addition of Two Financing Methods and Adjustment to the Financing Limits was considered and approved. The Company issued two tranches of short-term corporate bonds in 2015, raising an aggregate of RMB1 billion. As at December 31, 2015, outstanding balance amounted to RMB1 billion, particulars of which are as follows:

Abbreviation	Size (RMB'00 million)	Interest rate	Term (day)	Interest commencement date	Redemption date
2015 First tranche of short-term corporate bonds of Hengtai Securities Co., Ltd.	5.0	4.8%	365	2015-10-30	2016-10-28
2015 Second tranche of short-term corporate bonds of Hengtai Securities Co., Ltd.	5.0	4.6%	365	2015-12-18	2016-12-16

5. Long-term subordinated bonds

At the 2014 third extraordinary general meeting of the Company, the resolution in relation to the Issue of Securities Company Subordinated Bonds by the Company was considered and approved, authorizing the non-public issue of not more than RMB1.5 billion subordinated bonds by the Company. The Company issued one tranche of long-term subordinated bonds in 2015, raising an aggregate of RMB200 million, the particulars of which are as follows:

Abbreviation	Size (RMB'00 million)	Interest rate	Term (day)	Interest commencement date	Redemption date
2014 Subordinated bonds (the third tranche) of Hengtai Securities Co., Ltd.	2.0	6.7%	1,827	2015-1-30	2020-1-30

(III) Equity Investment

1. At the sixth extraordinary general meeting of the third session of the Board held on January 8, 2015, the resolution in relation to the capital increase in New China Fund by the Company was considered and approved, pursuant to which, the Company made capital increase in New China Fund at a price of RMB1.70 per share. the Company subscribed for additional 57,500,000 shares in New China Fund at a consideration of RMB97,750,000, accounting for 14.87% of the equity interest in New China Fund.
2. At the fifteenth extraordinary general meeting of the third session of the Board held on April 24, 2015, the resolution in relation to the establishment of Hengtai Securities Merger and Acquisition Fund Management Company (恒泰証券並購基金管理公司) was considered and passed, pursuant to which, the Company was approved to contribute RMB200 million for establishment of Hengtai Securities Merger and Acquisition Fund Management Company, which will be mainly engaged in merger and acquisition business. As at the end of the Reporting Period, the establishment this company was under preparation stage.
3. At the twenty-seventh extraordinary general meeting of the third session of the Board held on December 17, 2015, the resolution in relation to establishment of a wholly-owned subsidiary of the Company in Hong Kong was considered and approved, pursuant to which, the Company was approved to establish a wholly-owned subsidiary in Hong Kong with its own funds of not more than RMB350 million. On December 28, 2015, the establishment of a subsidiary by the Company in Hong Kong was submitted to CSRC for approval.

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

Save for the matters stated in IV and V paragraphs of the above in this report, the Company had no matters concerning disposal, acquisition and replacement of material assets, spin-off and reorganization during the Reporting Period.

Management Discussion and Analysis

VII. BUSINESS INNOVATION AND ITS IMPACT AND RISK CONTROL

(I) Business innovation and its impact

In 2015, the Company continued to promote various business innovations on an ongoing basis with outstanding innovational results regarding the Internet financial business which provided favorable support for development of brokerage business, while concurrently efficiently offsetting impact arising from decline of commission from brokerage business during the Reporting Period. Meanwhile, the Company constantly built and optimized platform for business development and preliminarily completed building of the platform of acquisition business during the Reporting Period. Pursuant to changing market conditions, the business development in respect of P2P, crowdfunding and change of regulatory policies were proactively focused on with gradual implementation of relevant businesses under prerequisite of controlled risks. Having increased investment in the NEEQ market, the Company has achieved rapid growth in terms of market-making in the NEEQ market. Meanwhile, the Company supported the rapid growth of asset securitization, direct investment business, asset management and other businesses by enhancing cooperation with governments, various market entities and premium institutions in the relevant fields, which made significant impact on its impressive results in 2015 and sustainable future development.

(II) Risk control of business innovation

The Company consistently updated and improved internal control mechanisms of its business innovation such as management systems, organizational structure, information technology systems and risk control measures to ensure thorough risk management and control in respect of its various business innovations..

The Company had in place an all-round framework of risk control to reinforce prior and in-process risk control of innovative business. Innovative business departments and compliance risk control departments jointly analyzed and verified the significance, feasibility, operational characteristics, profit model, process risk control indicators and measures to ensure effectiveness of risk control from the respects of process and system.

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

(III) Prospects

The Company remains as a small and medium securities dealer in the market where rapid growth and promoted market competitiveness could be realized only with constant innovation to achieve rapid development. The Company has laid a sound basis in terms of business innovations upon which, pursuant to its business distribution and overall development strategic frame, the Company will deepen business innovation in 2016. The details are set out as follows:

1. The Company will vigorously promote development of its cross-border businesses. As a company listed in Hong Kong, the Company will seek early realization of operation in Hong Kong and efficient improvement of coordinated development between the businesses in China and overseas.
2. The Company will make rapid stride in business distribution. In the purpose of realizing its platform-based business layout, the Company continuously built and optimized business structure for its future development by way of its outstanding market gene as well as its leading design of mechanism.
3. The Company will pick up pace in the Internet financial business. In order to promote its leading position in the field and enhance overall business development, the Company will intensify cooperation based on the results of 2015 and implement effective guidance, closely collaborate with various Internet-based financial enterprises with focus on clients, research innovation and production output.
4. The Company will seek to ultimately combine investment and finance and to produce results in the capital market based on its business development by way of various business development and collaboration in the private market, the Company strengthened capabilities in respect of research and product competition, further improved the business distribution and building of platform in the private market.
5. The Company will continue to pick up its pace in promoting business development in respect of asset securitization, concurrently demonstrate its profession regarding REITS business while transforming it into a sustained leading position and core competition in the market.

Management Discussion and Analysis

VIII. RISK FACTORS AND COUNTERMEASURES

(I) Credit Risk

Credit risk refers to risk arising from a borrower or counterparty's failure to pay back debts as agreed in a timely manner. Credit risk of the Company is mainly generated from two aspects: (i) credit risk from financing business such as margin financing and securities lending and securities-backed lending, namely, risks of losses from failure to perform duties as agreed by customers; (ii) credit risk from credit product investment, namely, asset losses and changes in gains due to default or refusal to pay back principal and interests by the financier or issuer of the credit products.

Credit risk from financing activities can be controlled by (i) customer education, credit reference checks, credit approval, daily mark to market, risk reminders to clients and forced liquidation of client's positions; and (ii) conducting due diligence prior to approval of the projects, providing suggestions on risk control over key risks inherent in the project and maintaining constant risk monitoring over projects in performance to address problems once detected. Credit risks from credit product investment can be controlled by establishing pool access standards and caps of investment categories.

In addition, the Company has conducted stress test from time to time to define risk exposure of credit business of the Company.

(II) Market risk

Market risk refers to the possibility of losses or reduced income due to general or local changes in the market. It consists of risk of price fluctuations of equity assets, interest risk and exchange rate risk.

The Company has established a market management risk control system featured with regime, system, authorization mechanism, monitoring and reporting.

1. Regime: the Company formulated corresponding risk management regime over market risk management and market risk indicator monitoring. Besides, it established risk management rules over different business categories, mainly including market risk identification, assessment and monitoring.
2. System: the market risk management information system of the Company has been launched, which will monitor, calculate and analyse market risks.
3. Authorization mechanism: we have established a decision-making and authorization system with different authority levels having different investment authorization limits.

Management Discussion and Analysis

4. Monitoring and reporting: risk management department of the Company is in charge of monitoring the risk exposure of relevant business lines and sending risk alert to relevant business departments, and reporting to our chief risk officer, risk management special committee and the Board when necessary; and the business department shall report the proposed risk response measures to the risk management department within time limits.

(III) Liquidity risk

Liquidity risk refers to the risk where the Company is unable to obtain sufficient funds in time at reasonable costs in order to repay maturing debts, comply with other payment obligations and satisfy the funding needs for carrying on normal business. To minimize liquidity risk, risk management department monitors the liquidity risk control indicator and conducts semi-annual liquidity risk stress tests to analyze our ability to withstand short-term and long-term liquidity pressure. Our planning and financial department monitors and analyzes the matching of our assets and liabilities from various time periods under both normal and stressed situations, the diversification and stability of our capital resources, high-quality liquid assets and market liquidity and at the same time strengthens the management of our liquidity during operating hours to maintain adequate liquidity position and related financing arrangements. Our planning and financial department establishes emergency plans for liquidity risks, taking into consideration the scale, nature, complexity, risk levels and results from stress tests, to ensure we are able to meet liquidity requirements in emergencies.

(IV) Compliance risk

Compliance risk refers to the risk of being subject to legal sanctions, regulatory measures, self-discipline penalties and loss of property or reputation among securities firms because the business activities or employee conduct violate laws, regulations or rules. The Company has established an effective sound compliance risk management system and compliance management organizational system. In order to promote the compliance management of the securities industry, the Company set up the legal and compliance department at an early stage, actively explored various models of compliance management and conducted effective management through compliance review, monitoring, examination, supervision and training. In addition, the Company has formulated and implemented comprehensive procedures for responding to and settling complaints and disputes. The Company has also established internal policies on engagement of external attorneys in the course of our operation or dealing with disputes and legal proceedings when necessary.

Management Discussion and Analysis

(V) Operational Risk

Operational risk refers to the risk of financial loss resulting from the improper operation in transactional processes or the management system, mainly including internal policy and procedure, information system and inappropriate behavior of the staff. The Company formulated operational risk management system and the supporting process guidance. In addition, the Company established management system and operation guidance for different businesses in compliance with the latest requirements from domestic regulatory authorities and risk management demands of the Company while continuing to make improvements. The Company formulated management mechanism to select, debug, test and monitor the information system. Moreover, the Company conducted staff training through onsite and offsite means to sharpen their risk management awareness.

IX. CONSTRUCTION OF RISK MANAGEMENT SYSTEM

- (I) Establishing an appropriate risk management framework. The Company established a risk management framework led by the Board, which ensures implementation of all risk management measures of the Company by defining the risk management responsibilities at different levels including the Board, management and chief risk officer.

The Board is the highest decision-making organ at the Company's risk management framework. It reviews risk management strategies, targets as well as basic policy of the Company and delivers overall risk preference, risk tolerance levels and risk quota of the Company based on its development strategy and risk tolerance levels of shareholders. The risk control and supervisory committee under the Board is responsible for monitoring the overall risk management of the Company to ensure that different risks related to operating activities of the Company are under effective surveillance.

The senior management of the Company is responsible for the effectiveness of the Company's risk management. The risk management special committee, its subordinator organ, is responsible for implementing Board's risk management strategies, targets and policies; implementing the risk tolerance levels and risk quota authorized by the Board; formulating risk control policies to be implemented by our branch offices and subsidiaries; reviewing our risk control policy, procedure and risk control plans and submitting risk management report to the Board and regulatory authorities.

Management Discussion and Analysis

Chief risk officer of the Company is responsible for overall risk management. He/she makes independent, prudent and timely judgment with respect to the overall risk management work; coordinates different parties of the Company in risk management work and facilitates the cultivation of the risk management culture; reporting to the senior management with respect to risk management work; organizing the implementation of risk management measures according to the Board and senior management's relevant resolutions and work requirements and reporting to and communicating with regulatory authorities regarding our risk management work.

Led by the chief risk officer, risk management department of the Company is responsible for promoting overall risk management work, identifying, monitoring, assessing and reporting the overall risk level of the Company so as to provide risk management suggestions for business resolutions; assisting, guiding and examining risk management work of different departments and branches; facilitating the establishment of risk management information system that matches the business complexity and risk indicator of the Company and calculating, collecting, alarming and monitoring risks by defining risk management parameter and standards; identifying, assessing, monitoring, addressing and reporting the overall or specific risk of the Company to provide risk management suggestions for business resolutions; reviewing and performing risk evaluation with respect to new products, emerging business and significant investment; organizing the implementation of comprehensive or specific stress test; providing risk management suggestions for business resolutions and assisting, guiding and overseeing and examining the risk management performance of various departments, branches and subsidiaries.

The planning and financial department is responsible for liquidity risk management, formulating detailed rules on liquidity risk management to establish and improve liquidity risk management system; implementing effective identification, measurement and control over liquidity risk to ensure that the Company can acquire sufficient funds to repay due debts in a timely manner and at a reasonable cost, perform other payment obligations and satisfy capital requirement for normal operation.

Officers of various business departments and branches of the Company are primarily responsible for risk management, executing frontline risk management function, defining risk points of different businesses and extending risk management to all business procedures and posts so as to implement self-control with respect to business risks.

Management Discussion and Analysis

- (II) Improving risk management system. Pursuant to the relevant requirements of the Securities Law of the People's Republic of China, Regulations on Supervision and Management of Securities Companies, Measures for Managing the Risk Control Indexes of Securities Companies, Norms for the All-rounded Risk Management of Securities Companies, Management Measures on Liquidity Risk Management of Securities Companies and other laws, regulations and regulatory provisions and Articles of Association of Hengtai Securities Co., Ltd and other internal rules and regulations, the Company established Risk Management Measures, Administrative Measures for Liquidity Risk Management, Market Risk Management Provisions, Credit Risk Management Provisions, Regulations for Operation Risk Management and other specific risk management regulations to regulate risk management work from perspective of structure, risk identification and assessment, risk monitoring and response as well as risk reporting and accountability. Therefore, a comprehensive risk management system with Risk Management Measures as the basis, supported by various risk management provisions and supplemented by detailed risk management rules on various related businesses has been set up, which defines the risk management responsibilities and work procedure of various departments and provides decision-making criteria and protection of duty performance.
- (III) Improving risk management information system. The Company has established internal control system, comprehensive risk management system and risk management modules embedded in various business systems while continuing to make improvements for the above risk management system. Risk management efficiency was effectively enhanced by the flexible utilization of risk management instruments and measures.

X. COMPETITION AND POSITION IN THE INDUSTRY AND CORE COMPETITIVENESS

(I) Competition in the industry

In 2015, the market of the securities industry was still in such a situation where the commission continued to drop off. Especially under the shock of new technology such as opening accounts through the internet and 1 Password (一碼通) and policy of allowing one man with more than one accounts, the commission rate of the industry still stayed in a downward trend.

Management Discussion and Analysis

Notwithstanding that the business of domestic securities companies became more and more diversified after the innovative development of the industry in recent years, from the perspective of income ratio, income obtained from securities transaction, margin trading, the traditional proprietary trading and investment bank remained to be the main income source of securities companies, which, however, was highly correlated with activity of the secondary market. The correlation was particularly clear seen from the profit changes of the industry between the first half and the second half of 2015. Once sizable adjustment was made in domestic market or business was restricted, the shock to performance and profit would be relatively distinct. So far the performance fluctuation is not yet to be smoothed in an effective way.

CSRC has put forward the policy guidance to further lift the control over securities licenses in recent two years. Currently, organizations, such as domestic commercial banks, insurance companies, trust companies, private equity companies and internet companies, are rapidly penetrating to the field of securities industry by means of merger and acquisition. They have formed competition, directly or indirectly, with securities companies in the fields including direct investment, wealth management, innovative financing and investment management service and have imposed major challenges on the industry development of the securities companies.

At present, the securities companies in the industry, except for the few excellent ones, are faced with the problem of severe homogeneity in the relevant businesses and their innovative business mode is relatively easy to imitate. At this stage of development, the industrial competition is mostly reflected in the aspect of net capital competition. Only by constant innovation can small-and-medium-sized securities companies rapidly enhance their competitiveness in the market place.

The innovative development of the industry set higher requirements to the capability of risk management. Along with the continuous development of innovative business of the industry and the ongoing expansion of the securities companies' assets and liabilities, the industrial competition was also reflected in the aspect of internal compliance management and its closely matched capability of risk management. The continuous match between the development of innovative business and the capability of risk management will become the core competitiveness of industrial competition.

(II) Market position

Based on the statics of the SAC, as of December 31, 2015, there were 125 securities companies in China, among which, the average total asset, net asset and net capital of each individual company was RMB51.4 billion, RMB11.6 billion and RMB5.7 billion respectively. In 2015, the average revenue of each individual company was RMB4.6 billion, of which RMB2.0 billion was net profit.

Management Discussion and Analysis

Judging from the industrial data of 2015, the Company is nevertheless a small-and-medium-sized securities company in the industry, the growth rates of each of its indicators are all above the average level of the industry in recent years by the Company's incessant effort of business innovation and mechanism innovation. In 2015, in spite that the Company's total asset and net asset were far below those of the average level of the industry, the standard of the Company's revenue and net profit was basically approximate to the average standard of the industry, of which:

In terms of market share, as of the end of the Reporting Period, the total brokerage transaction volume of stock and fund was RMB2,354.268 billion, representing a substantial increase of 303.35% compared with the total broker transaction volume of RMB583.673 billion in 2014. During the corresponding period, the increase rate of the brokerage transaction volume of the Company was 61% higher than that of the market, which was 242.32%.

In terms of asset custody, as of the end of the Reporting Period, the asset under custody in Shanghai and Shenzhen was approximately RMB56,207.395 billion, representing an increase of approximately 43% compared with that at the end of 2014. As of the end of the Reporting Period, the asset under custody of the whole business division was RMB129.067 billion, with an increase of RMB60.465 billion compared with that of RMB68.602 billion at the end of the previous year, representing a substantial increase of 88.14%.

In terms of the customer number, as of the end of the Reporting Period, the number of brokerage business customers reached 1.6949 million, with an increase of 867,500, representing an increase of 104.85% compared with the number of 827,400 at the end of the previous year. The increase rate was also surpassed the average rate of the market.

In addition, according to the data published by the website of CN-ABS, in 2015 the issue number of Asset Securitization of Enterprise (企業資產證券化) was 211 and the total amount was RMB204.167 billion while the corresponding issue number and amount were 19 and RMB23.960 billion respectively, both ranking the first in the market place.

(III) Core competitiveness

The Company is a securities company that is good at the buyer's business. The Company has a complete layout including fields of asset management, public offered fund, PE (Private Equity) fund, fund of bulk commodity and its derivatives and real estate financing and is also a comprehensive service securities company that has strategic distributions in the major cities of the developed regions of China. The Company provides companies, financial institutions, government entities and individuals with a wide scope of financial products and services by means of brokerage and wealth management, investment management, proprietary trading and investment bank business.

Management Discussion and Analysis

The Company is now a relatively outstanding securities company among the small-and-medium sized securities companies that assimilate merits of the internet. In the future, the Company will continue to maintain its corresponding competitiveness and promote cooperation with all kinds of internet companies through the mode of “open, effective, connecting and cooperation”. In the meantime, the Company will unceasingly convert its way of products supply, concatenate each of the Company’s businesses with one another, boost market competitiveness and advance the business layout and the transformation of the Company. The Company will make more efforts to strengthen the business of asset securitization and maintain our leading position in the industry.

The Company will always hold the corporate culture of “innovation, being practical, integrity and cooperation”. The instant promotion and realization of corporate culture construction laid a solid foundation for the development of each of the Company’s businesses. At the same time, the open cooperation mechanism also laid a favorable foundation for the Company to attract excellent talents and to intensify its cooperation with the external world.

XI. PROSPECTS

In 2016, the Company will continue to leverage on the industry development opportunities, capitalize on the positive influence of the Company’s listing in Hong Kong and its stronger capital strength to comprehensively consolidate its business development foundation. Meanwhile, it will accelerate the transformation and upgrading of its business structure and profit model, propelling various undertakings of the Company to another new high.

The Company will combine the integrated operation and the distinctive operation strategies, and stick to differentiated development and group-based development. Meanwhile, it will reinforce the comprehensive competitiveness of the Company by enhancing capital management, product innovation and design, investment research, risk management and market capitalization management. In addition, it will optimize business layout to accelerate profit mode transformation through deepening Internet-based financing and other innovative businesses. Moreover, the Company will actively expand to overseas market and establish cross-market investment and operation capacity, sparing no efforts to fulfill the target of A share listing.

Report of the Board of Directors

I. INFORMATION ON THE PRINCIPLE ACTIVITIES

Please refer to “II. Analysis of Principal Business” under Section 5 “Management Discussion and Analysis”.

II. ANALYSIS OF MAJOR FINANCIAL PERFORMANCE INDICATORS

Please refer to “III. Financial Statements Analysis” under Section 5 “Management Discussion and Analysis”.

III. ANALYSIS OF PRINCIPAL RISKS AND UNCERTAINTIES

Please refer to “VIII. Risk Factors and Countermeasures” under Section 5 “Management Discussion and Analysis”.

IV. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

In accordance with the financial statements as audited by the auditors, the Group’s accumulated retained profit as at the end of 2015 is RMB2,230,450.39 thousand, in which the accumulated retained profit of the Company is RMB2,268,387.38 thousand. According to the provision “Among profits available for distribution, those from fair value change shall not be used for cash distribution” under No. 1 Guidance on Supervision over Annual Reports of Securities Companies 《證券公司年報監管工作指引第一號》 issued by CSRC, after deducting the cumulative after-tax influence of RMB247,408.27 thousand of such part, the Company’s profit distributable to Shareholders in cash as at the end of 2015 is RMB2,020,979.11 thousand.

In view of long-term development of the Company and interests of investors and as proposed by all Directors, the Board proposed to distribute cash dividend of RMB1.0 per 10 Shares (tax inclusive) and RMB260,456,741.20 in aggregate (tax inclusive) based on the total number of issued Shares of the Company of 2,604,567,412 Shares as at December 31, 2015 to holders of Domestic Shares and H Shares whose names appear on the register of members of the Company as at close of business on June 7, 2016 (Tuesday), and the dividends are expected to be paid on or around July 25, 2016 (Monday).

The cash dividend is denominated and declared in RMB, and payable in RMB and in HK dollars to holders of Domestic Shares and holders of H Shares, respectively. The actual amount distributed in HK dollars will be calculated based on the average benchmark exchange rate of RMB against HK dollar announced by the PBOC of the five working days prior to the date of the 2015 annual general meeting, at which the profit distribution plan for 2015 will be considered.

V. THE ISSUE OF SHARES AND THE USE OF PROCEEDS

(I) Proceeds

On September 9, 2015, the Company received the Reply Concerning Approval of Issue of Overseas Listed Foreign Invested Shares by Hengtai Serucities Co., Ltd. 《關於核准恒泰證券股份有限公司發行境外上市外資股的批覆》(Zheng Jian Xu Ke [2015] No. 2089) issued by CSRC to approve Hengtai Serucities to publicly offer overseas listed foreign invested shares (H Shares) and listed the same on the Main Board of the Hong Kong Stock Exchange.

A total of 450,846,000 H Shares were offered while 409,860,000 shares were issued by the Company. Five state-owned Shareholders transferred 40,986,000 shares to the National Council for Social Security Fund of China according to relevant regulations and such shares were sold to overseas investors. The Company raised total proceeds of HK\$1,767,316,320, equivalent to approximately RMB1,447 million.

The actual proceeds received by the Company (deducting the listing related expenses and the amount directly transferred into the national treasury pool due to share selling by the selling shareholders (namely reduction of state-owned shares) was RMB1,260,497,124.36.

(II) Use of Proceeds

The funds raised as specified in the Company's prospectus shall be used as per the following purposes:

1. about 50% of the funds will be used for the Company's capital-based intermediary business, including margin financing and securities lending and securities-backed lending and for the development of online margin financing and securities lending and securities-backed lending services.
2. about 30% of the funds will be used for the development of the Company's NEEQ market-making business.
3. about 20% of the funds will be used for the development and enhancement of the internet-based finance business of the Company.

During the Reporting Period, the Company did not use the proceeds. After deducting listing expenses, the Company's proceeds were transferred back to China on January 18, 2016.

VI. DIRECTORS AND SUPERVISORS

Please refer to "Section 9 Directors, Supervisors, Senior Management and Employees" for details of the directors and supervisors during the reporting period and as at the date of this report.

Report of the Board of Directors

The Company has received the annual written independence confirmation from each independent non-executive Director prepared pursuant to Rule 3.13 of the Listing Rules and believes that all the independent non-executive Directors are independent of the Company.

VII. DIRECTOR AND SUPERVISOR SERVICE CONTRACT

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

VIII. INTERESTS OF DIRECTORS, SUPERVISORS AND CONTROLLING SHAREHOLDERS

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

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

Controlling Shareholders' Interests in Contracts of Significance

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a controlling shareholder had a material interest, whether directly or indirectly, and subsisted during the Reporting Period, save as disclosed in this report.

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

Directors have no interest in business competing with the Company during the reporting period.

X. DIRECTORS AND SUPERVISORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

During the Reporting Period, no Directors, Supervisors of the Company or their respective spouse or children under the age of 18 purchase the shares or debentures of the Company to obtain benefit, or such persons exercise any such right; or no arrangements have been made by the Company or any of its subsidiaries to entitle such right to the Directors, Supervisors of the Company or their respective spouse or children under the age of 18 in any other body corporate.

XI. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ANY OF ITS ASSOCIATED CORPORATIONS

As at December 31, 2015, based on the information acquired by the Company and to the knowledge of the Directors, the Directors, Supervisors and chief executives have no (i) interests and short positions (including the interests or short positions considered or deemed to have according to such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Sections 7 and 8 of Part XV under the SFO, or (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the SFO, or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), save as disclosed as follows:

<u>Name</u>	<u>Number of Shares</u>	<u>Nature of interest</u>	<u>Number of Shares held</u>	<u>Approximate percentage of shareholding in the Company's issued Shares</u>	<u>Approximate percentage of shareholding in the Company's issued Domestic Shares/H Shares</u>	<u>Long positions/ short positions/ Shares available for lending</u>
Ms. Pei Jingjing ¹ (裴晶晶女士)	Domestic shares	Interest in a controlled corporation	206,182,000	7.92%	9.57%	Long positions

Note 1: 99.99% and 0.01% of the equity interest in Huijin Jiaye are held by Shanghai Xishida Electronic Technology Co., Ltd. (上海喜仕達電子技術有限公司) ("Shanghai Xishida") and Ms. Pei Jingjing (裴晶晶女士), who is a Supervisor of our Company, respectively. 95% and 2% of the equity interest in Shanghai Xishida are held by Shenzhen Zhongxin Tuoye Technology Co., Ltd. (深圳中新拓業科技有限公司) ("Shenzhen Zhongxin") and Ms. Pei Jingjing (裴晶晶女士), respectively. Approximately 99.47% of the equity interest in Shenzhen Zhongxin is held by Shanghai Julu Information Technology Co., Ltd. (上海巨祿信息科技有限公司) ("Shanghai Julu"). 35% and 35% of the equity interest in Shanghai Julu are held by Ms. Pei Jingjing (裴晶晶女士) and Mr. Ci Penghui (慈鵬輝先生), respectively. Therefore, Ms. Pei Jingjing (裴晶晶女士) is deemed to be interested in 206,182,000 Domestic shares held by Huijin Jiaye.

Report of the Board of Directors

XII. COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

As disclosed in the prospectus, each of Baotou Huazi, Qingyun Intercontinental, Finance Street Xihuan Properties, Huijin Jiaye, Finance Street Investment, Huarong Infrastructure, Huifa Investment, Hongzhi Huitong, Zhongchang Hengyuan, Shanghai Yida and Tomorrow Holding has signed a non-competition undertaking (collectively, “**Non-competition Undertakings**”). Pursuant to the Non-competition Undertakings,

- (a) each of Baotou Huazi, Qingyun Intercontinental, Huijin Jiaye, Huifa Investment and Hongzhi Huitong has undertaken that (i) it and its controlled entities do not currently engage in any business which competes with our business; and (ii) after the Listing, it and its controlled entities will not engage in any competing business that is the same as or similar with our business;
- (b) each of Finance Street Xihuan Properties, Finance Street Investment and Huarong Infrastructure has undertaken that (i) it and its controlled entities do not currently engage in any business which requires approvals from CSRC and competes with our primary business; and (ii) after the Listing, it and its respective controlled entities will not directly or indirectly hold any equity interests in other securities companies by establishment or acquisition of companies; and
- (c) each of Zhongchang Hengyuan, Shanghai Yida and Tomorrow Holding has undertaken that, other than their shareholding interests in New Times Securities, (i) it and its controlled entities do not currently engage in any business which requires approvals from CSRC and competes with our primary business; and (ii) after the Listing, it and its respective controlled entities will not directly or indirectly hold any equity interests in other securities companies by establishment or acquisition of companies.

XIII. PERMITTED INDEMNITY PROVISIONS

During the Reporting Period, the Company has arranged for appropriate liability insurance for all the Directors, Supervisors and senior management to cover their indemnity liabilities arising out of corporate affairs.

XIV. EQUITY-LINKED AGREEMENTS

During the reporting period, the Company did not enter into any equity-linked agreement.

XV. OTHER DISCLOSURES

(I) Share capital

Contained in Note 46(a) to the consolidated financial statements of this report.

(II) Pre-emptive rights arrangements

According to the PRC laws and the Articles of Association, currently the Company has no pre-emptive rights arrangements.

(III) Sufficiency of public float

From the listing date of the Company's H Shares to the date of this report, according to the information obtained by the Company and to the knowledge of the Directors, the public shareholding of the Company's H Shares has satisfied the minimum percentage as modified in the waiver granted by the Hong Kong Stock Exchange from strict compliance with Rule 8.08(1)(d) of the Listing Rules.

(IV) Management contract

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

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

Individual investors

In accordance with the Individual Income Tax Law of the People's Republic of China (2011 Amendment) (中華人民共和國個人所得稅法(2011修正)) and the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China (2011 Revision) (中華人民共和國個人所得稅法實施條例(2011修訂)), the dividends paid by the Chinese companies shall be subject to the withholding tax at a rate of 20.0%. Non-Chinese resident foreign individuals shall be imposed 20.0% of personal income tax on the dividends gained from Chinese companies, except specific exemptions allowed by the tax authorities of the State Council or special deductions in accordance with applicable tax treaty.

Report of the Board of Directors

According to the Notice on the Management of Personal Income Tax Impose after the Abolition of Guo Shui Fa [1993] No. 045 Document (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) issued by the State Administration of Taxation (Guo Shui Han [2011] No. 348), for domestic non-foreign-invested enterprises making public offering in Hong Kong, the foreign resident individual shareholders are entitled to the associated tax preference according to the provisions in the taxation agreement signed between their nations and China as well as the taxation arrangements between Mainland China and Hong Kong (Macao). The dividends paid by domestic non-foreign-invested enterprises which have made the public offering in Hong Kong to non-Chinese resident H Shares individual holders shall be imposed personal income tax at the rate of 10.0%, without having to make applications to the Chinese tax authorities. If the tax rate of 10.0% is not applicable, the enterprises should (i) for a foreign citizen who is H Shares individual holder to receive dividend, if his country has signed income tax treaty at the rate of less than 10.0% with China, non-foreign-invested enterprises which have made public offering in Hong Kong may, on behalf of such holder, apply for lower tax rate preference; upon approved by the tax authorities, the excessive part of withholding tax paid will be refunded; (ii) for a foreign resident who is H Shares individual holder to receive dividend, if his country has signed income tax treaty at the rate of higher than 10.0% but less than 20.0% with China, non-foreign-invested enterprises which have made public offering in Hong Kong shall pay withholding tax in accordance with the agreement and no need to make an application; (iii) for a foreign resident who is H share individual holder to receive dividend, if his country has not signed any tax treaty or otherwise, non-foreign-invested enterprises which have made public offering in Hong Kong shall pay withholding tax at the rate of 20.0%.

Enterprise

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) and the Regulations on the Implementation of 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實施條例) effective on January 1, 2008, if non-resident enterprises establish no organizations and sites within the territory of China, or though establish organizations and sites but the dividends and bonus received have no real connection to the organizations and sites established, such enterprises shall pay the corporate income tax at the rate of 10% of its income from the Chinese territory.

According to the Circular concerning Questions on Withholding and Payment of Enterprise Income Tax when PRC Resident Enterprises Distribute Dividends to Non-resident Corporate Shareholders of Foreign 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利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 should withhold enterprise income tax at a unified rate of 10% when they distribute dividends for the year of 2008 and beyond to non-resident corporate Shareholders of foreign H Shares. After receiving dividends, non-resident corporate Shareholders may apply to the relevant tax authorities for enjoying treatment of taxation treaties (arrangement) in person or by proxy or by a person who has obligation for withholding or paying dividend and provide information to prove it is an actual beneficiary under the requirement of taxation treaties (arrangement). After the relevant tax authorities have verified that there is no error, it shall refund tax with reference to the tax levied and the difference in the amount of tax payable calculated at the tax rate under the taxation treaties (arrangement).

(VI) Reserves and reserves of profits available for distribution

Reserves and the Changes in reserves of profits available for distribution of the Group during the Reporting Period are set out in Note 48 to the consolidated financial statements and the “consolidated statement of changes in equity” in this report.

(VII) Relationship with key stakeholders

1. Employees

Employees are regarded as the most important and valuable assets for the Group. The Group has established complete system and procedures of human resource management in order to regulate the use of human resources and realistically protect employees’ rights and interests. Through compensation and welfare schemes and annual appraisal plans, the Company has awarded and commended outstanding employees while enhancing employees’ vocational capabilities and widening their room for promotion by way of training and others.

Please refer to “VI. Details and Remuneration of Staffs” under Section 9. “Directors, Supervisors, Senior Management and Employees”.

2. Major customers and suppliers

The Company provides services for the various individual customers and institutional customers. The Company’s large clients include financial institutions, large, small and medium enterprises, institutional investors and individual clients. Most clients of the Company are located in China, mainly in Inner Mongolia. As of December 31, 2015, revenue and other income generated from the top five clients accounted for 3.32% of the revenue and other income of the Group. During the reporting period, as far as the Directors are aware, none of the Directors, their associates or any Shareholders who owned more than 5% of the Company’s share capital had any interest in the five largest customers.

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

(VIII) Property and equipment

Please refer to Note 21 to the consolidated financial statements of this report.

Report of the Board of Directors

(IX) Fulfill Social Responsibilities

1. Investor education

The Company actively performs its social responsibilities. Leveraging on professional advantages and special activities, we continuously enhance investor education, promote the ideology of rational investment and therefore protect investors' interests.

During the Reporting Period, the Company conducted investor education activities such as "Propaganda Campaign for Investors' interests", "To Know Listed Companies" and "Keep Away From Illegal Security Activities and Pass the Positive Energy". By these activities, the Company promotes the ideology and method of value investing and rational investing, propagandizes the settlement mechanism of complaints and securities disputes for main market investors in order to strengthen their awareness in safeguarding legal rights. In addition, the Company preaches the systems of listed companies such as information disclosure, Shareholders voting and differentiation investing returns so that investors know their own rights and exercise them. Furthermore, the Company explain the features and cases of illegal securities activities such as sales of illegal financial products, illegal investing consultation and illegal stock trading, so as to improve investors' ability to discriminate and prevent illegal activities. Through the above activities, the Company enhanced communications with investors, promoted their awareness of rational investing and rights protection. As a result, the Company received great social benefits.

2. Social activities and public benefit donations

In 2015, the Company took more social responsibilities by conducting and participating in social benefit activities.

The Company participated in the research project of Securities Association of China. Two of our research reports were selected as the 2015 theme essays and adopted by China Securities (《中國證券》).

The Company carried out public benefit activities like volunteer blood donations among staff. The Company's Labor Union and Youth League Committee took part in "Provide Supports to Villages by Enterprises (百企強百鄉)" activity to support the poor in Wulandai Village, Huangyang Town, Chayou Zhong Banner, Ulanqab and donated RMB96,000; The Company's staff took temporary posts in Alxa Left Banner Alxa League, the Inner Mongolia Autonomous Region to conduct poverty alleviation. The Company also donated RMB20,000 to the livelihood funds of Tangqiao Sub-district Office of the People's Government of Pudong New District of Shanghai.

(X) Material events after the Reporting Period

Please refer to “IX. Other Important Particulars and Subsequent Events” under Section 7 “Other Material Particulars”.

(XI) Compliance of laws and regulations

The Company stringently abides by domestic and overseas laws, regulations, and industry norms such as the Company Law of the PRC (《中華人民共和國公司法》), the Securities Law of the PRC (《中華人民共和國證券法》), the Regulations on Supervision and Management of Securities Companies (《證券公司監督管理條例》), the Rules for Governance of Securities Companies (《證券公司治理準則》), the Listing Rules and the SFO.

(XII) Environmental policies and performance

The Group constantly carries out internal recycling measures in terms of its consumables (eg. toner cartridge and paper) in order to lessen its impact on consumption of resources and impact on environment resulting from the operating activities. Furthermore, the Company encourages employees to adopt the duplex printing when printing and collect one-side paper for recycling.

The Group implements energy saving measures in its offices, branches and other areas, encouraging its employees to reduce unnecessary use of lighting and air conditioning.

(XIII) Business Review

Please refer to Section 5 Management Discussion and Analysis.

(XIV) Future Development

Please refer to XI. Prospects under Section 5 Management Discussion and Analysis.

(XV) Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Venture

Please refer to Section 5 Management Discussion and Analysis and Section 7 Other Material Particulars.

Other Material Particulars

I. PUNISHMENT OR PUBLIC CENSURE IN THE REPORTING PERIOD

None.

II. SIGNIFICANT LAWSUITS AND ARBITRATIONS

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

None.

(II) Cases concluded in the Reporting Period

None.

(III) Cases on Enforcement procedures and bankruptcy proceedings

None.

III. IMPORTANT CONTRACTS AND CONTRACT FULFILLMENT

1. The Company entered into a property lease contract with China Everbright Bank, Hohhot Branch, leasing 14–18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region, China. The rental during the Reporting Period was RMB6,003,027.
2. On September 1, 2015, the Company entered into the Master Agreement for OTC Derivatives Transactions on China's Securities and Futures Market and the Confirmation Letter for Return Swaps with China Securities Finance Corporation Limited.

IV. CONNECTED TRANSACTIONS

The Group carried out connected transactions in strict compliance with the Listing Rules and the requirements of the Group's internal regulations under the principles of impartiality, openness and fairness.

During the Reporting Period, the Company and Huarong Investment entered into a property leasing and related services framework agreement on September 23, 2015 to regulate our properties leasing relationship and property management services. SASAC of Xicheng District, through Finance Street Xihuan Properties, Finance Street Investment and Huarong Infrastructure (collectively "Finance Street Group"), is interested in approximately 20.42% of our total issued share capital, and therefore it will be a substantial shareholder of our Company. Pursuant to Rule 14A.07 of the Listing Rules, Finance Street Group and its associates are connected persons of our Company. Huarong Investment is a holding company of Finance Street Xihuan Properties, and is therefore an associate of the Finance Street Group. Accordingly, Huarong Investment is a connected person of our Company and transactions that we enter into with Huarong Investment and its associate will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The Property Leasing and Related Services Framework Agreement will be effective from the Listing Date of the Company and end on December 31, 2017, subject to renewal. The Hong Kong Stock Exchange has granted a waiver to the continuing connected transactions from compliance with the announcement requirement under Chapter 14A of the Listing Rules subject to the condition that the annual transaction value shall not exceed the relevant proposed annual caps. For details of the principal terms and pricing basis of the property leasing and related services framework agreement, please refer to the section headed "Connected Transactions" in the prospectus of the Company. The amount of the above continuing connected transactions during the Reporting Period was RMB9,375,656.09, not exceeding the 2015 annual caps of RMB9,400,000 disclosed in the section headed "Connected Transactions" in the prospectus.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions and have confirmed that such continuing connected transactions:

- (1) are in the ordinary and usual course of business of the Company;
- (2) are conducted on normal commercial terms;
- (3) are conducted in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of Shareholders of the Company as a whole.

The Board has received a letter from the auditors of the Company in respect of the continuing connected transactions mentioned above, a copy of which has been provided to the Hong Kong Stock Exchange and in which the auditors have expressed the following opinion on the disclosed continuing connected transactions:

Other Material Particulars

Based on the foregoing, in respect of the disclosed continuing connected transactions:

- a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- c. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect to the aggregate amount of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the 2015 annual cap as set by the Company in the section "connected transactions" of the prospectus dated September 30, 2015.

Save as disclosed above, other transactions set out in Note 54 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions or are exempt from compliance with reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

V. ACQUISITION, MERGER AND SEPARATION IN THE REPORTING PERIOD

As considered and approved at the sixth extraordinary meeting of third session of the Board and at the 2015 first extraordinary general meeting, Hengtai Securities acquired additional 57,500,000 Shares of New China Fund with RMB97,750,000 on July 29, 2015, representing 14.87% equity interest in New China Fund. Upon completion of the capital increase of China New Fund, the Company achieves control over New China Fund, with its shareholding percentage increased from 43.75% to 58.62%.

VI. ATTAINED QUALIFICATIONS FOR SINGLE BUSINESS

Number	Permits	Approval authority	Time
1	Reply Concerning Approval of Hengtai Securities Co., Ltd. as a QDII Engaging in Overseas Securities Investment Business	IMSRB	February 12, 2015
2	The Qualification for Pilot of Internet-based Securities Business	SAC	March 3, 2015
3	Notice Concerning Hengtai Securities Co., Ltd. Becoming a Participant in Option Transactions of Shanghai Stock Exchange	Shanghai Stock Exchange	January 16, 2015
4	Reply Concerning Approval of the Qualification of Hengtai Securities Co., Ltd. for Securities Investment Fund Custody	CSRC	August 24, 2015

VII. MAJOR ITEMS OFF BALANCE SHEET

There were no other major off-balance sheet items that may affect financial position and operating results of the Company and its subsidiaries within the Reporting Period.

VIII. ENGAGEMENT OF ACCOUNTING FIRMS

The Company appointed Ruihua Certified Public Accountants LLP and KPMG as its external audit institutions of 2015 for providing correlated audit and review services, based on Chinese accounting standards for business enterprises and international financial reporting standards, respectively.

Whether appointed other accounting firms in the past three years: No.

1. Domestic accounting firms and service lengths:

Ruihua Certified Public Accountants LLP, eight years.

2. International accounting firms and service lengths:

KPMG, one year.

3. Remunerations for accounting firm

The Company paid RMB1.3 million to Ruihua Certified Public Accountants LLP for audit fee of H Shares listing and RMB1.32 million for annual statutory audit fee in 2015.

The Company paid RMB2.68 million to KPMG for H Shares reporting accountant fee, RMB0.8 million for interim review fee and RMB2.6 million for annual audit fee in 2015.

Other Material Particulars

IX. OTHER IMPORTANT PARTICULARS AND SUBSEQUENT EVENTS

(I) Change of Shareholders, Directors, Supervisors and senior management of the Company and its subsidiaries

None

(II) Annual profit distribution plan of the Company

1. Annual profit distribution plan of the Company

Please refer to Section 6 "Report of the Board of Directors – IV. Profit distribution and profit distribution plan".

2. Annual profit distribution plan of subsidiaries

None

(III) Major investment & financing

1. Major investment & financing of the Company

- (1) Investment

On January 14, 2016, the resolution in relation to Capital Increase of the Wholly-owned Subsidiary Hengtai Capital Investment Co., Ltd. was considered and approved at the 29th extraordinary meeting of the third session of the Board, pursuant to which, the Company agreed to made capital increase of RMB800 million in Hengtai Capital. Upon the completion of the capital increase, the registered capital of Hengtai Capital was increased from RMB200 million to RMB1,000 million. On January 29, 2016, Hengtai Capital completed the change of business registration for the capital increase.

(2) Financing

On September 29, 2015, the Company received Reply Concerning Approval of the Issue of Bonds by Hengtai Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 2213) (《關於核准恒泰證券股份有限公司發行債券的批覆》(證監許可[2015]2213號)文件) from CSRC, which approve the Company to issue corporate bonds to public investors with a total amount of not more than RMB1,500 million.

Bond type and maturity: the corporate bonds consist of two types of bonds, including the one with three-year floating interest rate (hereinafter referred to as "type one") and the other with three-year fixed interest rate (hereinafter referred to as "type two"). According to the offline enquiry results made by the issuer and the principal underwriter, no offline institutional investors subscribe for type one. As agreed by the two parties, the clawback mechanism was carried out to release all the issue quota of type one to type two. As a result, the type two was issued at interest rate of 3.42%, with a final issue amount of RMB1,500 million. On February 2, 2016, Hengtai Securities completed issue of the corporate bonds.

On February 29, 2016, the Company disclosed the "Announcement on Listing of the Corporate Bonds"; the corporate bonds of RMB1,500 million were listed on the Shanghai Stock Exchange on March 1, 2016; and the code for type two is 136215.

2. Major investment and financing of subsidiaries

- (1) Hengtai Futures contributed RMB50 million to establish a wholly-owned subsidiary named Hengtai Yingwo Assets Management Co., Ltd.(恒泰盈沃資產管理有限公司). Business registration of the subsidiary was completed on February 5, 2016.

Other Material Particulars

(IV) Significant proceedings and arbitration

None.

(V) Merger or disposal of subsidiaries

None.

(VI) Other major matters which may affect the financial conditions, operating results, and cash flow of the Company

None.

(VII) Amendments to the Articles of Association and Rules of Procedure for Board Meetings after the Reporting Period

None.

Equity (Capital) Changes and Substantial Shareholders

I. SHAREHOLDING STRUCTURE

As at the end of the Reporting Period, the Company's share capital was 2,604,567,412 shares, in which 2,153,721,412 was held by holders of Domestic Shares, representing 82.69% and 450,846,000 was held by holders of H Shares, representing 17.31%.

II. CHANGES IN SHARES

On October 15, 2015, the Company's overseas listed Shares (stock code: 1476) was successfully listed on the Hong Kong Stock Exchange. A total of 450,846,000 H Shares were offered under the global offering and through over-allotment and 409,860,000 shares were issued by the Company. Five state-owned Shareholders transferred 40,986,000 shares to the National Council for Social Security Fund of the People's Republic of China according to relevant regulations and such shares were sold to overseas investors. After the completion of this offering, the Company's total share capital increased from 2,194,707,412 shares to 2,604,567,412 shares.

III. SHAREHOLDERS

At the end of the Reporting Period, the Company had 59 shareholders, including 22 domestic shareholders and 37 registered shareholders of H shares.

(I) At the End of the Reporting Period, the Shareholding of More than 5% Shares or Top 10 Shareholders is as Follows:

No.	Name of shareholders	Nature of shareholders	Class of shares	Number of shares held	Percentage	Number of shares changed during the year	Number of shares held without sale limitations	Number of shares held with sale limitations	Pledge or freezing status	
									Status of shares	Number
1	HKSCC (Nominees) Limited (Note 5)	Overseas legal person	H Share	450,730,000	17.31%	-	450,730,000	0	-	-
2	Baotou Huazi	Social legal person	Domestic Share	308,000,000	11.83%	-	308,000,000	0	Pledged	150,000,000
3	Qingyun Intercontinental	Social legal person	Domestic Share	226,961,315	8.71%	-	226,961,315	0	Pledged	35,175,880
4	Finance Street Xihuan Properties	State-own legal person	Domestic Share	211,472,315	8.12%	-13,527,685	211,472,315	0	-	-
5	Huijin Jiaye	Social legal person	Domestic Share	206,182,000	7.92%	-	206,182,000	0	Pledged	137,439,718
6	Finance Street Investment	State-own legal person	Domestic Share	165,418,345	6.35%	-10,581,655	165,418,345	0	-	-
7	Huarong Infrastructure	State-own legal person	Domestic Share	155,079,698	5.95%	-9,920,302	155,079,698	0	-	-
8	Huifa Investment	Social legal person	Domestic Share	154,000,000	5.91%	-	154,000,000	0	-	-
9	Hongzhi Huitong	Social legal person	Domestic Share	154,000,000	5.91%	-	154,000,000	0	Pledged	104,000,000
10	Hua Chen Trust Limited Corporation	State-own legal person	Domestic Share	92,297,832	3.54%	-5,904,205	92,297,832	0	-	-

Note 5: Shares held by HKSCC (Nominees) Limited are owned by non-registered H shareholders.

Equity (Capital) Changes and Substantial Shareholders

(II) Company's Controlling Shareholder and De Facto Controller

The Company does not have any controlling Shareholder and de facto controller.

(III) Status of Shareholders Holding 10% or More of the Company's Shares:

Excluding HKSCC Nominees Limited, the Shares held by which were owned by non-registered H Shareholders.

Name of shareholders	Legal representative	Date of establishment	Registered capital (RMB 0'000)	Registered address	Main business
Baotou Huazi	Song Weidong (宋衛東)	November 30, 1998	48,493.2	South Road of National Rare Earth High-Tech Industrial Development Zone, Baotou City, Inner Mongolia Autonomous Region	Production and sales of sugar, molasses; operation of export of products and relevant technologies manufactured and developed by itself; operation of importing of materials, machinery, equipment, instruments and spare parts required for production; Conducting foreign co-production and compensated trade business.

Equity (Capital) Changes and Substantial Shareholders

IV. DISCLOSURE OF INTERESTS

As of December 31, 2015, to the knowledge of the Directors after having made all reasonable enquiries, the following persons (not being the Directors, Supervisors or senior management of the Company) had any interest or short position in any of the Shares or underlying Shares of our Company which will have to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of main shareholders	Class of Shares	Nature of interest	Number of shares held (shares)	Percentage of total number of issued shares of the Company (%)	Percentage of the Company's total issued Domestic Shares/H Shares (%)	Long positions/ short positions/ shares available for lending
Huarong Infrastructure ¹	Domestic Share	Beneficial owner	155,079,698	5.95	7.20	Long positions
Finance Street Capital ¹	Domestic Share	Interests of controlled corporation	155,079,698	5.95	7.20	Long positions
Finance Street Investment ²	Domestic Share	Beneficial owner	165,418,345	6.35	7.68	Long positions
Finance Street Xihuan Properties ³	Domestic Share	Beneficial owner	211,472,315	8.12	9.82	Long positions
Huarong Investment ³	Domestic Share	Interests of controlled corporation	211,472,315	8.12	9.82	Long positions
SASAC Xicheng District ^{1,2,3}	Domestic Share	Interests of controlled corporation	531,970,358	20.42	24.70	Long positions
Baotou Huazi ⁴	Domestic Share	Beneficial owner/parties acting in concert	443,868,000	17.04	20.61	Long positions
Tomorrow Holding ⁴	Domestic Share	Interests of controlled corporation/ parties acting in concert	443,868,000	17.04	20.61	Long positions
Zhongchang Hengyuan ⁴	Domestic Share	Beneficial owner/parties acting in concert	443,868,000	17.04	20.61	Long positions
Shanghai Yida ⁴	Domestic Share	Beneficial owner/parties acting in concert	443,868,000	17.04	20.61	Long positions
Huifa Investment ⁵	Domestic Share	Beneficial owner	154,000,000	5.91	7.15	Long positions
Ms. Chen Shan ⁵	Domestic Share	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Mr. Shen Weimin ⁵	Domestic Share	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Huijin Jiaye ⁶	Domestic Share	Beneficial owner	206,182,000	7.92	9.57	Long positions
Shanghai Xishida ⁶	Domestic Share	Interests of controlled corporation	206,182,000	7.92	9.57	Long positions
Shenzhen Zhongxin ⁶	Domestic Share	Interests of controlled corporation	206,182,000	7.92	9.57	Long positions
Shanghai Julu ⁶	Domestic Share	Interests of controlled corporation	206,182,000	7.92	9.57	Long positions
Mr. Ci Penghui ⁶	Domestic Share	Interests of controlled corporation	206,182,000	7.92	9.57	Long positions
Qingyun Intercontinental ⁷	Domestic Share	Beneficial owner	226,961,315	8.71	10.54	Long positions
Ningbo Shike ⁷	Domestic Share	Interests of controlled corporation	226,961,315	8.71	10.54	Long positions
Shaanxi Hongya ⁷	Domestic Share	Interests of controlled corporation	226,961,315	8.71	10.54	Long positions
Mr. Duan Shuai ⁷	Domestic Share	Interests of controlled corporation	226,961,315	8.71	10.54	Long positions
Mr. Sun Yuanlin ⁷	Domestic Share	Interests of controlled corporation	226,961,315	8.71	10.54	Long positions
Hongzhi Huitong ⁸	Domestic Share	Beneficial owner	154,000,000	5.91	7.15	Long positions

Equity (Capital) Changes and Substantial Shareholders

Name of main shareholders	Class of Shares	Nature of interest	Number of shares held (shares)	Percentage of total number of issued shares of the Company (%)	Percentage of the Company's total issued Domestic Shares/H Shares (%)	Long positions/ short positions/ shares available for lending
Shaanxi Tianchen ⁸	Domestic Share	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Hangzhou Ruisi ⁹	Domestic Share	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Suzhou Bingtai ⁹	Domestic Share	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Mr. Zhang Li ⁹	Domestic Share	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Nice Hill International Limited ⁹	H Share	Beneficial owner	39,540,000	1.52	8.77	Long positions
Mason Investments Limited ⁹	H Share	Interests of controlled corporation	39,540,000	1.52	8.77	Long positions
Mason Assets Limited ⁹	H Share	Interests of controlled corporation	39,540,000	1.52	8.77	Long positions
Mason Financial Services Group Limited ^{9,10}	H Share	Interests of controlled corporation	39,540,000	1.52	8.77	Long positions
Mason Financial Services Group Limited ^{9,11}	H Share	Interests of controlled corporation	39,540,000	1.52	8.77	Long positions
Mason Financial Holdings Limited ⁹	H Share	Interests of controlled corporation	39,540,000	1.52	8.77	Long positions

Notes:

- Huarong Infrastructure is wholly-owned by Finance Street Capital, which is in turn wholly-owned by SASAC Xicheng District. Therefore, each of Finance Street Capital and SASAC Xicheng District is deemed to be interested in 155,079,698 Domestic Shares held by Huarong Infrastructure.
- Finance Street Investment is wholly-owned by SASAC Xicheng District. Therefore, SASAC Xicheng District is deemed to be interested in 165,418,345 Domestic Shares held by Finance Street Investment.
- 90.00% of the equity interest in Finance Street Xihuan Properties is held by Huarong Investment, which is in turn wholly-owned by SASAC Xicheng District. Therefore, each of Huarong Investment and SASAC Xicheng District is deemed to be interested in 211,472,315 Domestic Shares held by Finance Street Xihuan Properties.
- Tomorrow Holding, Zhongchang Hengyuan and Shanghai Yida have entered into an agreement to act in concert in respect of their shareholding in our Company. Therefore, each of Tomorrow Holding, Baotou Huazi (which is held by Tomorrow Holding as to approximately 54.32%), Zhongchang Hengyuan and Shanghai Yida is deemed to be interested in 443,868,000 Domestic Shares (being an aggregate of 308,000,000, 75,100,000 and 60,768,000 Domestic Shares held by Baotou Huazi, Zhongchang Hengyuan and Shanghai Yida, respectively).
- Approximately 53.33% and 46.67% of the equity interest in Huifa Investment is held by Shen Weimin (沈為民) and Chen Shan (陳姍), respectively. Therefore, each of Shen Weimin (沈為民) and Chen Shan (陳姍) is deemed to be interested in 154,000,000 Domestic Shares held by Huifa Investment.
- 99.99% of the equity interest in Huijin Jiaye is held by Shanghai Xishida. 95.00% of the equity interest in Shanghai Xishida is held by Shenzhen Zhongxin. 99.47% of the equity interest in Shenzhen Zhongxin is held by Shanghai Julu. 35% of the equity interest in Shanghai Julu is held by Ci Penghui (慈鵬輝). Therefore, each of Shanghai Xishida, Shenzhen Zhongxin, Shanghai Julu, and Ci Penghui (慈鵬輝) is deemed to be interested in 206,182,000 Domestic Shares held by Huijin Jiaye.

Equity (Capital) Changes and Substantial Shareholders

7. 70% of the equity interest in Qingyun Intercontinental is held by Ningbo Shike, which is in turn held by Shaanxi Hongya as to 99.60%. Shaanxi Hongya is held by Duan Shuai (段帥) and Sun Yuanlin (孫元林) as to 49% and 51%, respectively. Moreover, 0.40% of the equity interest in Ningbo Shike is held by Sun Yuanlin. Therefore, each of Ningbo Shike, Shaanxi Hongya, Duan Shuai and Sun Yuanlin is deemed to be interested in 226,961,315 Domestic Shares held by Qingyun Intercontinental.
8. 97.08% of the equity interest in Hongzhi Huitong is held by Shaanxi Tianchen. 98.67% of the equity interest in Shaanxi Tianchen is held by Hangzhou Ruisi. 90.00% of the equity interest in Hangzhou Ruisi is held by Suzhou Bingtai. 81.82% of the equity interest in Suzhou Bingtai is held by Zhang Li (張利). Therefore, each of Shaanxi Tianchen, Hangzhou Ruisi, Suzhou Bingtai and Zhang Li (張利) is deemed to be interested in 154,000,000 Domestic Shares held by Hongzhi Huitong.
9. Nice Hill International Limited is wholly-owned by Mason Investments Limited, which is in turn wholly-owned by Mason Assets Limited; while Mason Assets Limited is wholly-owned by Mason Financial Services Group Limited (which is located in the Marshall Islands); Mason Financial Services Group Limited (which is located in the Marshall Islands) is wholly-owned by Mason Financial Services Group Limited (which is located in the Cayman Islands), which is in turn wholly-owned by Mason Financial Holdings Limited. Therefore, each of Mason Investments Limited, Mason Assets Limited, Mason Financial Services Group Limited, Mason Financial Services Group Limited and Mason Financial Holdings Limited is deemed to be interested in 39,540,000 H Shares held by Nice Hill International Limited.
10. Mason Financial Services Group Limited referred is located in Marshall Islands.
11. Mason Financial Services Group Limited referred is located in Cayman Islands.

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

V. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has redeemed, purchased or sold any of the Company's listed securities during the period from the Listing Date to December 31, 2015.

VI. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and the relevant PRC laws which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Directors, Supervisors, Senior Management and Employees

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

(I) Directors

No.	Name	Gender	Age	Positions	Term of office	Total remuneration received from the Company during the Reporting Period (RMB in thousand)	Remarks
1	Pang Jiemin (龐介民)	Male	44	Chairman of our Board and Executive Director	From November 2014 to November 2017	9,245	–
2	Ju Jin (鞠瑾)	Male	52	Non-executive Director	From November 2014 to November 2017	–	–
3	Wu Yigang (吳誼剛)	Male	56	Vice chairman of our Board and Executive Director	From June 2015 to November 2017	4,941	Served as the Director of the Company since October 2008; and as the President of the Company from April 2003 to June 2015.
4	Zhang Tao (張濤)	Male	37	Non-executive Director	From November 2014 to November 2017	50	–
5	Chen Guanglei (陳廣壘)	Male	46	Non-executive Director	From November 2014 to November 2017	50	–
6	Sun Chao (孫超)	Male	32	Non-executive Director	From January 2015 to November 2017	50	–
7	Wang Fangjun (汪方軍)	Male	40	Independent non-executive Director	From November 2014 to April 2015	–	Resigned on April 3, 2015
8	Peng Diyun (彭迪雲)	Male	52	Independent non-executive Director	From November 2014 to November 2017	100	–
9	Zhou Jianjun (周建軍)	Female	46	Independent non-executive Director	From April 2015 to November 2017	100	–
10	Lam Sek Kong (林錫光)	Male	56	Independent non-executive Director	From April 2015 to November 2017	100	–

Directors, Supervisors, Senior Management and Employees

(II) Supervisors

No.	Name	Gender	Age	Positions	Term of office	Total remuneration received from the Company during the Reporting Period (RMB in thousand)	Remarks
1	Guo Liwen (郭力文)	Male	55	Chairman of Supervisory Committee	From November 2014 to November 2017	4,821	–
2	Pei Jingjing (裴晶晶)	Female	32	Shareholder representative Supervisor	From January 2015 to November 2017	30	–
3	Wanghui (王慧)	Male	42	Employee representative Supervisor	From November 2014 to November 2017	1,803	–

(III) Senior management

No.	Name	Gender	Age	Positions	Term of office	Total remuneration received from the Company during the Reporting Period (RMB in thousand)	Remarks
1	Niu Zhuang (牛壯)	Male	43	President	From June 2015 to November 2017	11,643	Served as the executive vice president of our Company from September 2012 to June 2015
2	Zhang Wei (張偉)	Male	45	Vice President, secretary of the Board	From December 2014 to November 2017	8,337	–
3	Wang Haibing (王海兵)	Male	43	Chief financial officer	From December 2014 to November 2017	6,051	–
4	Yu Fang (于芳)	Female	35	Chief compliance officer and chief risk officer	From December 2014 to November 2017	6,051	–
5	Fu Lixin (付立新)	Female	49	Vice President	From December 2014 to November 2017	6,860	–
6	Wu Lihui (武麗輝)	Female	44	Vice President	From December 2014 to November 2017	7,013	–
7	Zhao Peiwu (趙培武)	Male	51	Vice President	From December 2014 to November 2017	6,845	–
8	Deng Hao (鄧浩)	Male	40	Vice President	From December 2014 to November 2017	1,560	–
9	Huang Weiguo (黃偉國)	Male	39	Vice President	From December 2015 to November 2017	552	–
10	Qi Kaomin (齊靠民)	Male	44	Vice President	From December 2014 to March 2015	2,044	Resigned on March 26, 2015

Directors, Supervisors, Senior Management and Employees

II. APPOINTMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHAREHOLDERS' COMPANIES AND OTHER COMPANIES

(I) Appointment in Shareholders' Companies

No.	Name	Position in the Company	Employing unit	Position in Shareholders' Company	Term of office
1	Ju Jin (鞠瑾)	Non-executive Director	Beijing Finance Street Investment (Group) Co., Ltd. Beijing Finance Street Capital Operations Center	General manager and director Manager	January 2011 to now March 2012 to now
2	Zhang Tao (張濤)	Non-executive Director	Baotou Huazi Industry Co., Ltd.	Chairman of Supervisory Committee	May 2008 to now
3	Sun Chao (孫超)	Non-executive Director	Beijing Qingyun Intercontinental Technology Co., Ltd. Dalian Ben Hao Cheng Industrial Co., Ltd. (大連本浩成實業有限公司)	Chairman, general manager General manager	December 2013 to now August 2013 to now
4	Chen Guanglei (陳廣壘)	Non-executive Director	Beijing Finance Street Investment (Group) Co., Ltd.	Chief economist	July 2012 to now
5	Pei Jingjing (裴晶晶)	Shareholder representative Supervisor	Beijing Huijin Jiaye Investment Co., Ltd. Shanghai Xishida Electronics Ltd. (上海喜仕達電子科技技術有限公司)	Executive director and general manager Executive director	February 2013 to now April 2012 to now

(II) Appointment in Other Units

No.	Name	Position in the Company	Employing unit	Position in Other Units	Term of office
1	Ju Jin (鞠瑾)	Non-executive Director	Great Wall Life Insurance Co., Ltd. Finance Street Holdings Co., Ltd.	Director Deputy chairman	September 2005 to now June 2000 to now
2	Chen Guanglei (陳廣壘)	Non-executive Director	Finance Street Holdings Co., Ltd.	Supervisor	August 2000 to now
3	Peng Diyun (彭迪雲)	Independent non-executive Director	Nanchang University	Dean of School of Public Administration in Nanchang University	June 2014 to now
4	Zhou Jianjun (周建軍)	Independent non-executive Director	Beijing Zhongchuan Xinju Accounting Firm Company Limited	Chief accountant	April 2009 to now
5	Lam Sek Kong (林錫光)	Independent non-executive Director	Messrs. S.K. Lam, Alfred Chan & Co. APT Satellite Holdings Limited	Partner Independent Non-executive Director	June 1996 to now July 2007 to now

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

(I) Directors

Mr. Pang Jiemin (龐介民), aged 44, has been our Director and the chairman of the Board and legal representative since December 2010. Before joining our Group, Mr. Pang served in Beijing Huarong Comprehensive Investment Company (北京華融綜合投資公司) as a deputy general manager from May 2010 to December 2010. Mr. Pang graduated from Hebei University of Economics and Business (河北經貿大學, formerly known as Hebei College of Finance and Economics (河北財經學院)) in Shijiazhuang, Hebei Province, the PRC with a bachelor's degree of finance in July 1993. He then obtained a master's degree of economics from Central Institute of Finance and Banking (中央財政金融學院, now known as Central University of Finance and Economics (中央財經大學)) in Beijing, the PRC in March 1996. Mr. Pang obtained a doctor's degree of economics in Southwestern University of Finance and Economics (西南財經大學) in Chengdu, Sichuan Province, the PRC in January 2005. From December 2007 to May 2008, Mr. Pang was a visiting post-doctor researcher at the ICMA Centre of University of Reading in the United Kingdom. Mr. Pang obtained the qualification as economist (經濟師資格) granted by Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) in November 1997. He also passed the 21st qualification test for senior management of securities institutions organized by the SAC in December 2010.

Mr. Wu Yigang (吳誼剛), aged 56, has been our Director and the vice chairman of our Board since October 2008 and June 2015, respectively. Mr. Wu is currently responsible for formulating our corporate and business strategies and making major corporate and operational decisions and responsible for our corporate governance matters. Mr. Wu served as the president of our Company from April 2003 to June 2015. Mr. Wu completed a college course in radio fax and graduated from Inner Mongolia University (內蒙古大學) in Hohhot, Inner Mongolia, the PRC in July 1987. He completed an undergraduate course in economics and management and graduated from Inner Mongolia Autonomous Region Party Committee Party School (中共內蒙古自治區委員會黨校) in Hohhot, Inner Mongolia, the PRC in January 1997. Mr. Wu then completed a postgraduate course in market economy and graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in November 1998.

Directors, Supervisors, Senior Management and Employees

Mr. Ju Jin (鞠瑾), aged 52, has been a Director of our Company since November 2008. Concurrently, he has also been assuming the positions of a director and a deputy chairman of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司), a director of Great Wall Life Insurance Co., Ltd. (長城人壽保險有限公司), the general manager and director of Finance Street Investment and the manager in Beijing Finance Street Capital Operations Center (北京金融街資本運營中心) since June 2000, September 2005, January 2011 and March 2012, respectively. Before joining our Group, Mr. Ju served in Beijing Finance Street Construction and Development Company (北京金融街建設開發公司, now known as Finance Street Xihuan Properties) as a temporary deputy general manager and then a deputy general manager from February 1996 to August 1999. Mr. Ju also served in Beijing Huarong Comprehensive Investment Company (北京華融綜合投資公司) as a deputy general manager, an executive deputy general manager, the general manager and then the director from August 1999 to December 2010. Mr. Ju graduated from Beijing Jiaotong University (北京交通大學) (formerly known as Northern Jiaotong University (北方交通大學)) in Beijing, the PRC with a bachelor's degree majoring in transportation economy in July 1986. He graduated from a postgraduate course of corporate management from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in July 1998. Mr. Ju subsequently obtained a degree of executive master of business administration from the Hong Kong University of Science and Technology in Hong Kong in May 2009.

Mr. Zhang Tao (張濤), aged 37, has been a Director of our Company since November 2008. Concurrently, he has also been assuming the position of chairman of the board of supervisors in Baotou Huazi (a substantial shareholder of our Company) since May 2008. Before joining our Group, he served in Baotou Huazi as a director, being in charge of investment and financing from September 2001 to April 2008. Mr. Zhang graduated from The Open University of China (中央廣播電視大學) in Beijing, the PRC and majored in law in May 2005.

Directors, Supervisors, Senior Management and Employees

Mr. Chen Guanglei (陳廣壘), aged 46, has been a Director of our Company since September 2012. He has been assuming the position of a chief economist in Finance Street Investment since July 2012. Before joining our Group, Mr. Chen worked in Henan Pingdingshan Branch of China Construction Bank (中國建設銀行河南省平頂山分行) from August 1992 to August 2000. He then worked in Henan Branch of China Construction Bank (中國建設銀行河南省分行) from August 2000 to August 2002. Mr. Chen also worked in Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) and Finance Street Huizhou Properties Co., Ltd. (金融街惠州置業有限公司), as the head of finance department of Finance Street Huizhou Properties Co., Ltd. from January 2005 to August 2005. Subsequently, Mr. Chen served in Zhongjin Gold Corporation Limited (中金黃金股份有限公司, listed on Shanghai Stock Exchange, stock code: 600489) as a financial administrator from April 2008 to May 2011. From May 2011 to June 2012, Mr. Chen worked in Finance Street Investment as a deputy chief accountant. Mr. Chen graduated from Henan University of Animal Husbandry and Economy (河南牧業經濟學院, formerly known as Henan Business College (河南商業專科學校)) in Zhengzhou, Henan Province, the PRC with a college's diploma majoring in accounting in July 1992. Then he graduated from Henan University of Economics and Law (河南財經政法大學, formerly known as Henan College of Finance and Economics (河南財經學院)) in Zhengzhou, Henan Province, the PRC with a bachelor's degree majoring in accounting in December 2000 and obtained a bachelor's degree majoring in finance from Zhengzhou University (鄭州大學) in Zhengzhou, Henan Province, the PRC in July 2002. Subsequently, Mr. Chen obtained a master's degree majoring in accounting from Research Institute for Fiscal Science under the Ministry of Finance (財政部財政科學研究所) in Beijing, the PRC in July 2004. Mr. Chen also obtained a doctor's degree majoring in accounting from Central University of Finance and Economics (中央財經大學) in Beijing, the PRC in June 2008. Mr. Chen obtained a certificate of postdoctoral from Research Institute for Fiscal Science under the Ministry of Finance (財政部財政科學研究所) in Beijing, the PRC in September 2014, majoring in practical economics. He has been accredited as a certified public accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) and a certified tax agent by the Office of Personnel of Henan Province (河南省人事廳) in December 2002.

Mr. Sun Chao (孫超), aged 32, has been a Director of our Company since January 2015. He has concurrently been acting as the general manager of Dalian Ben Hao Cheng Industrial Co., Ltd. (大連本浩成實業有限公司) and the general manager of Qingyun Intercontinental in charge of designing, negotiating and managing the investment project since August 2013 and December 2013, respectively. Before joining our Group, he served as an assistant to general manager in charge of industry research and a deputy general manager in charge of direct project investment management in Dalian Ben Hao Cheng Industrial Co., Ltd. (大連本浩成實業有限公司) from July 2008 to September 2010 and from September 2011 to August 2013, respectively. He also worked as a deputy general manager in charge of project investment management in Qingyun Intercontinental from September 2012 to December 2013. Mr. Sun graduated from East China Normal University (華東師範大學) in Shanghai, the PRC with a bachelor's degree majoring in software engineering in July 2008. He obtained a master's degree of arts majoring in international financial analysis from University of Newcastle upon Tyne in Newcastle, the United Kingdom in September 2011.

Directors, Supervisors, Senior Management and Employees

Mr. Peng Diyun (彭迪雲), aged 52, has been an independent Director since August 2012. Concurrently, Mr. Peng has been teaching in School of Economics and Management in Nanchang University (南昌大學經濟與管理學院) since July 1984 and he has served as a lecturer, a deputy professor, a professor and a doctor supervisor successively. Mr. Peng also has been serving as a dean of School of Public Administration in Nanchang University (南昌大學公共管理學院) since June 2014. Prior to that, he served as a deputy director in Department of Economics of Nanchang University (南昌大學經濟學系) from January 1997 to April 2002. Mr. Peng served as a deputy dean of Graduate School of Nanchang University (南昌大學研究生院) from June 2007 to April 2008. Mr. Peng served as a party secretary in Graduate School of Nanchang University (南昌大學研究生院) from April 2008 to August 2010, and then served as a party secretary in School of Science in Nanchang University (南昌大學理學院) from August 2010 to June 2014. Mr. Peng graduated from East China Normal University (華東師範大學) in Shanghai, the PRC with a bachelor's degree majoring in politics and economics in October 1984. He graduated from a postgraduate course of industrial economics from Nanchang University (南昌大學) in Nanchang, Jiangxi Province, the PRC, in July 2001. He also obtained a doctor's degree majoring in management science and engineering from Nanchang University (南昌大學) in Nanchang, Jiangxi Province, the PRC in December 2010. He became a deputy professor in monetary banking and a professor in economics in June 1995 and March 2000, respectively. In addition, Mr. Peng served as the director of Industry Economics Institute in Central China's Economic and Social Development Research Center of Nanchang University (南昌大學中國中部經濟社會發展研究中心產業經濟研究所). He also has served as a consecutive expert of monetary policy advisory committee in Nanchang center sub-branch of People's Bank of China (中國人民銀行南昌市中心支行) from April 2008 to November 2011 and a standing director of Finance Society in Jiangxi Province (江西省金融學會) from June 2009. Mr. Peng was certificated as a registered consulting expert in management by the Consulting Association of Jiangxi Province (江西省諮詢業協會) in November 2012. He was awarded a Certificate of Special Government Allowance by the State Council of the People's Republic of China (中華人民共和國國務院) in March 2013, an Advanced Worker of National Educational System by the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) and the Ministry of Education of the People's Republic of China (中華人民共和國教育部) in September 2014 and the Excellent Ideological and Political Education Worker of National Universities by the Ministry of Education of the People's Republic of China (中華人民共和國教育部) in September 2014.

Directors, Supervisors, Senior Management and Employees

Ms. Zhou Jianjun (周建軍), aged 46, has been an independent Director since April 2015. Concurrently, Ms. Zhou has been assuming the position of a chief accountant in Beijing Zhongchuan Xinju Accounting Firm Company Limited (北京中川鑫聚會計師事務所有限責任公司) since April 2009. Ms. Zhou graduated from Northwest Agriculture University (西北農業大學) (now known as Northwest A&F University (西北農林科技大學)) in Shaanxi, the PRC with a bachelor's degree majoring in soil and plant nutriology in July 1992. Ms. Zhou graduated from Lanzhou University of Finance and Economics (蘭州商學院) in Lanzhou, Gansu Province, the PRC in June 1999 and majored in accounting. Ms. Zhou was qualified as China's certified tax agent and certified public accountant in November 2002 and March 2004, respectively. Ms. Zhou worked in Lanzhou Chemical Industry Company (蘭州化學工業公司, which was merged by absorption by China National Petroleum Lanzhou Petrochemical Corporation (中石油蘭州石油化工公司)) as an accountant and a chief accountant from July 1992 to November 2001. She served as an auditor in Gansu Wulian United Accounting Firm (甘肅五聯聯合會計師事務所) (now known as Gansu branch of Ruihua Accounting Firm (瑞華會計師事務所 (特殊普通合夥) 甘肅分所)) from November 2001 to September 2004. Then she worked in Ningbo Kexin Accounting Firm (寧波科信會計師事務所有限公司) as a project auditing manager from September 2004 to November 2006. She also worked as a finance manager in Kongchuang (Beijing) Technology Company Limited (控創(北京)科技有限公司), from November 2006 to April 2009.

Dr. Lam Sek Kong (林錫光), aged 56, has been an independent Director since April 2015. Concurrently, Dr. Lam has been an independent non-executive director of APT Satellite Holdings Limited (the issued shares of which are listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1045) since July 2007, in which he also served as the chairman of the nomination committee and a member of each of the audit committee and remuneration committee. Dr. Lam is a partner of Messrs. S.K. Lam, Alfred Chan & Co. He has been practicing law in Hong Kong since 1987. Dr. Lam is a member of the Hong Kong Society of Notary Public, a member of the China Appointed Attesting Officers Association in Hong Kong and a member of the Chartered Institute of Arbitrators (UK). Dr. Lam is also admitted as barrister and solicitor of the Supreme Court of Australian Capital Territory, legal practitioner of the Supreme Court of New South Wales and barrister in federal court of Australia. Dr. Lam obtained a bachelor's degree and a master's degree of laws from University of Hong Kong, in Hong Kong, in November 1984 and November 1991, respectively. Dr. Lam also obtained a master's degree in economic law from Peking University (北京大學), in Beijing, the PRC in June 2004 and a Ph. D. degree in civil and commercial law from Tsinghua University (清華大學), in Beijing, the PRC in January 2007.

Directors, Supervisors, Senior Management and Employees

(II) Supervisors

Mr. Guo Liwen (郭力文), aged 55, has been a Supervisor and the chairman of Supervisory Committee since December 2010. Mr. Guo joined our Company in June 1999 and served as the general manager of coordination development department from June 1999 to October 2008. Mr. Guo served as a director of our Company from October 2008 to November 2011. Mr. Guo graduated from a graduate course of philosophy from Inner Mongolia University (內蒙古大學) in Hohhot, Inner Mongolia, the PRC in July 1984.

Ms. Pei Jingjing (裴晶晶), aged 32, has been a Supervisor since January 2015. She has also been assuming positions of general manager and executive director both in Shanghai Xishida Electronics Ltd. (上海喜仕達電子技術有限公司) and Huijin Jiaye since April 2012 and February 2013, respectively. Ms. Pei graduated from Beihang University (北京航空航天大學) in Beijing, the PRC with a bachelor's degree majoring in economics in July 2007. Ms. Pei is deemed to be interested in 206,182,000 Domestic Shares held by Huijin Jiaye in our Company immediately after the completion of the Global Offering.

Mr. Wanghui (王慧), aged 42, has been an employee representative Supervisor and a deputy manager of office of our Board since September 2012 and July 2009, respectively. Concurrently, he has also been a supervisor of Hengtai Changcai, Hengtai Pioneer, Hengtai Futures, Shanghai Yingwo, Hengtai Hongze, Hengtai Hengfu and Hengtai Hengzhong since October 2012, January 2013, June 2013, July 2013, April 2015 and July 2015, respectively. Before joining our Group, Mr. Wang served successively as a deputy chief of staff and deputy director of office of the board in Beijing Huarong Comprehensive Investment Company (北京華融綜合投資公司) from October 2005 to July 2009. Mr. Wang graduated from East China University of Metallurgy (華東冶金學院) in Ma'anshan, An'hui Province, the PRC with a bachelor's degree majoring in ferrous metallurgy in July 1995. He obtained a master's degree majoring in business administration from Beijing Jiaotong University (北京交通大學) in Beijing, the PRC in May 2004.

(III) Senior Management

Mr. Niu Zhuang (牛壯), aged 43, has been the president of our Company since June 2015 and is currently mainly responsible for formulating our corporate and business strategies and making major corporate and operational decisions, being fully responsible for our overall operation and management and execution of our Board resolutions. Mr. Niu served as the chief financial officer and an executive vice president of our Company from February 2004 to September 2012 and from September 2012 to June 2015, respectively. Mr. Niu graduated from Beijing Institute of Fashion Technology (北京服裝學院) (in Beijing, the PRC) with a bachelor's degree majoring in industrial management engineering in July 1993. He obtained a master's degree majoring in accounting from Renmin University of China (中國人民大學) in Beijing, the PRC in January 2005.

Directors, Supervisors, Senior Management and Employees

Mr. Zhang Wei (張偉), aged 45, has been a vice president, the secretary of the Board and one of our joint company secretaries since September 2008, November 2011 and March 2015, respectively. He is currently in charge of the daily management of the president office, management of our OTC business department and the operation of Hengtai Changcai. Concurrently, he has been a director in Hengtai Futures since December 2009. Mr. Zhang served as our president assistant and a vice president from August 2002 to November 2006 and from November 2006 to September 2008, respectively. Before joining our Group, Mr. Zhang served as a manager of general management department in China National Heavy Duty Truck Finance Co., Ltd (中國重汽財務有限公司) from July 1994 to May 1999. Mr. Zhang worked in China National Heavy Duty Truck Group Jinan Truck Co., Ltd (中國重汽集團濟南卡車公司) as a secretary of the Communist Youth League from May 1999 to August 2002. Mr. Zhang graduated from Shandong University (山東大學) in Ji'nan, Shandong Province, the PRC with a bachelor's degree majoring in public finance in July 1994.

Mr. Wang Haibing (王海兵), aged 43, has been the chief financial officer since December 2012. He is currently in charge of our planning and financial department and management of our financial affairs. Mr. Wang served as the chief compliance officer of our Company from September 2006 to December 2012. Before joining our Group, Mr. Wang served in Changcai Securities Brokerage Co., Ltd (長財證券經紀有限責任公司) as the chief financial officer from September 2003 to August 2006. Mr. Wang graduated from Shanxi School of Finance and Economics (山西財經學院, now known as Shanxi University of Finance and Economics (山西財經大學)), in Taiyuan, Shanxi Province, the PRC with a bachelor's degree majoring in accounting in July 1996. Mr. Wang has been accredited as a non-practicing member of certified public accountant in the PRC by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since May 2012.

Ms. Yu Fang (于芳), aged 35, has been the chief compliance officer and chief risk officer since January 2013 and April 2014, respectively. She is currently in charge of our legal and compliance department, risk management department and audit department and our corporate affairs of compliance, legal, risk management and internal audit. Before joining our Group, Ms. Yu served in New Times Securities Company (新時代證券公司) as the general manager assistant, in charge of legal management department and audit department and a vice president, in charge of compliance manage department from June 2008 to June 2012 and from June 2012 to December 2012, respectively. Ms. Yu graduated from Hunan University (湖南大學) in Changsha, Hunan Province, the PRC with a bachelor's degree majoring in law in June 2003.

Directors, Supervisors, Senior Management and Employees

Ms. Fu Lixin (付立新), aged 49, has been a vice president since May 2008. She is currently responsible for the operation of Hengtai Futures and Shanghai Yingwo. She has also been assuming positions of the chairman of the board and a legal representative of Hengtai Futures and Shanghai Yingwo since December 2009 and July 2013, respectively. Ms. Fu served as a president assistant of our Company, in charge of brokerage business department, research and e-commerce from October 2003 to May 2008. Before joining our Group, Ms. Fu worked in Fuyou Securities Brokers Co., Ltd (富友證券經紀有限責任公司) as a manager and a vice president from April 1993 to October 2003. Ms. Fu graduated from Tianjin University of Finance and Economics (天津財經大學, formerly known as Tianjin College of Finance and Economics (天津財經學院)) in Tianjin, the PRC with a bachelor's degree majoring in statistics in July 1988. She obtained a master's degree majoring in politics and economics from Harbin Institute of Technology (哈爾濱工業大學) in Harbin, Heilongjiang Province, the PRC in March 1994.

Ms. Wu Lihui (武麗輝), aged 44, has been a vice president since July 2012. She is currently responsible for the daily affairs of the Board office and supervision of the management of Hengtai Pioneer. Concurrently, Ms. Wu has been assuming positions of a supervisor in Hengtai Capital, a supervisor in Hengtai Capital Equity, an executive director and the legal representative in Hengtai Pioneer and an executive director and the legal representative of Hentai Hongze since June 2013, September 2013, January 2013 and April 2015, respectively. Ms. Wu served successively as a director of office of Board and the assistant to the chairman of the Board of our Company from November 2009 to July 2012. Before joining our Group, Ms. Wu worked in Guantao Law Firm (觀韜律師事務所) in Beijing as a lawyer and a partner from February 2000 to December 2007. Then she assumed the position of a deputy general manager in Finance Street Xihuan Properties from January 2008 to October 2009. Ms. Wu graduated from China University of Mining and Technology (中國礦業大學) in Xuzhou, Jiangsu Province, the PRC with a bachelor's degree majoring in material management project in July 1993 and obtained a master's degree majoring in civil law from Heilongjiang University (黑龍江大學) in Harbin, Heilongjiang Province, the PRC in July 1996.

Mr. Deng Hao (鄧浩), aged 40, has been a vice president of our Company since March 2014 in charge of financial market department and its asset securitization business. Before joining our Group, Mr. Deng worked in bond department of CITIC Securities Co., Ltd (中信證券股份有限公司, listed on Shanghai Stock Exchange and the Hong Kong Stock Exchange with stock code 600030 and 6030, respectively) from August 1998 to June 2001. Then he served as the executive general manager in China International Capital Corporation Limited (中國國際金融有限公司) from September 2004 to April 2011, respectively. He also worked in JP Morgan First Capital Securities Co., Ltd (第一創業摩根大通證券有限責任公司) as a managing director and department director of capital market department from July 2011 to May 2013. Mr. Deng graduated from University of International Business and Economics (對外經濟貿易大學) in Beijing, the PRC with a bachelor's degree majoring in international trade in July 1998. He obtained a master's diploma majoring in finance from Imperial College in London, the United Kingdom in November 2004.

Directors, Supervisors, Senior Management and Employees

Mr. Zhao Peiwu (趙培武), aged 51, has been a vice president of our Company since September 2009. He is currently responsible for the management of our brokerage business department and supervision of the operation of our Changchun branch office, and all of our securities branches as well as our asset custody department. Mr. Zhao consecutively served as a deputy director of operating department of our predecessor from October 1988 to September 1989, the general manager of the sales department from April 1993 to April 2000, a director of president office from April 2000 to January 2004, a manager of brokerage department from January 2004 to March 2008 and an assistant to the president of our Company from March 2008 to September 2009, respectively. Mr. Zhao also served in Hengtai Changcai as the general manager from September 2009 to July 2011 and from July 2013 to June 2014. He also acted as an executive director and the legal representative for Hengtai Changcai from July 2011 to June 2014. Mr. Zhao finished his three-year financial courses in Shanxi Institute of Finance and Economics (陝西財經學院) (now known as Schools of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院)) in Xi'an, Shaanxi Province, the PRC in July 1994. Mr. Zhao graduated from The Open University of China (中央廣播電視大學) in Beijing, the PRC with a bachelor's degree (part-time) majoring in finance in December 2012.

Mr. Huang Weiguo (黃偉國), aged 39, has been a vice president of our Company since December 2015. He is currently responsible for the management of Shanghai Hongdian Investment Management Co., Ltd. (上海泓典投資管理有限公司), and he served as a president of Shanghai Hongdian since April 2015. Before joining our Group, Mr. Huang worked in the head office of investment bank of Guosen Securities, the head office of investment bank of Industrial Securities and the head office of investment bank of Pacific Securities from December 2000 to August 2006, from August 2006 to March 2007 and from March 2007 to July 2010, respectively. He served as the deputy general manager and the secretary to the Board of Shanghai Kanda Biotechnology Co., Ltd. (上海康岱生物技術股份有限公司) from July 2010 to May 2012 and as the deputy general manager and the secretary to the Board of Wuxi Lihu Corporation Limited (無錫蠡湖增壓技術股份有限公司) from May 2012 to October 2014. Then he served as a president of Jinduo (Shanghai) Asset Management Co., Ltd. (晉多(上海)資產管理有限公司) from October 2014 to April 2015. Mr. Huang graduated from the School of Finance of Central University of Finance and Economics with a bachelor's degree majoring in international finance in June 1998. Mr. Huang graduated from finance department of Shanghai University of Finance and Economics with a master's degree majoring in currency banking in July 2003.

Directors, Supervisors, Senior Management and Employees

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes in Directors

On February 28, 2015, Mr. Wang Fangjun (汪方軍), the former independent director, resigned as an independent director of the Company due to personal reason.

On March 9, 2015, the proposal on election of Ms. Zhou Jianjun (周建軍) as candidate for independent director of the 3rd session of the Board of the Company and the proposal on election of Dr. Lam Sek Kong (林錫光) as candidate for independent director of the 3rd Session of the Board of the Company were considered and approved at the 3rd extraordinary general meeting of the Company in 2015, and election of Ms. Zhou Jianjun (周建軍) and Dr. Lam Sek Kong (林錫光) as independent directors of the 3rd session of the Board of the Company were approved.

(II) Changes in Supervisors

Nil.

(III) Changes in Senior Management

On March 26, 2015, the proposal on Mr. Qi Kao Min applying for resignation as a vice president of the Company was considered and approved at the 13th extraordinary meeting of the 3rd session of the Board of the Company and the resignation of Mr. Qikao Min (齊靠民) as a vice president of the Company was approved.

On June 26, 2015, the proposal on election of Mr. Wu Yigang (吳誼剛) as vice chairman of the 3rd Session of the Board and removal of him as a president of the Company, and the proposal on removal of Mr. Niu Zhuang (牛壯) as executive vice president of the Company and appointment of him as the president of the Company were considered and approved at the 19th extraordinary meeting of the 3rd session of the Board of the Company, removal of Mr. Wu Yigang (吳誼剛) as the president and appointment of Mr. Niu Zhuang (牛壯) as the president of the Company were approved.

On July 28, 2015, the proposal on appointment of vice president of the Company was considered and approved at the 21st extraordinary meeting of the 3rd session of the Board of the Company, appointment of Mr. Huang Weiguo (黃偉國) as the vice president of the Company was approved.

V. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Remuneration System and Decision-making Procedures of Directors, Supervisors and Senior Management

The remuneration of the Company's directors shall be proposed by the remuneration and nomination committee for consideration and approval by the Board, then report to the general meeting for approval; the remuneration of the supervisors shall be reviewed and approved by the general meeting; and the remuneration of the senior management of the Company shall be proposed by the remuneration and nomination committee to the Board for approval.

(II) Basis for Determining the Remuneration of Directors, Supervisors and Senior Management

Directors and supervisors who has/have not entered into any employment contracts with the Company are entitled to allowances, and those who has/have entered into any employment contracts with the Company shall obtain remuneration in accordance with the requirement of the Company.

The remuneration of the senior management of the Company shall be proposed by the remuneration and nomination committee in accordance with the remuneration and assessment system with reference to operating results, responsibilities and liabilities and the comparable level of the industry and market for approval by the Board.

(III) Changes in Shareholding of Directors, Supervisors and Senior Management

During the Reporting Period, none of the Directors, Supervisors and Senior Management of the Company holds any shares, stock options and shares subject to trading moratorium of the Company.

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

See the Basic Information About Incumbent Directors, Supervisors and Senior Management and those Leaving Office During the Reporting Period in this section for remuneration payments of the Directors, Supervisors and Senior Management. Total remuneration for the Directors, Supervisors and Senior management in 2015 is RMB78,246 thousand.

Please refer to the "Notes 19 to Consolidated Financial Statements" in this report for the total remuneration for the five highest paid individuals and the remuneration category for the senior management of the Company.

Directors, Supervisors, Senior Management and Employees

VI. DETAILS AND REMUNERATION OF STAFF

(I) Numbers and Composition

As at the end of the Reporting Period, the Group had 1,736 employees in total, of which 1,385 were of the Company, the staff structure is as below:

Age	The Group		The Company	
	Number	Percentage	Number	Percentage
Under 30	620	35.71%	488	35.23%
31–40	727	41.88%	576	35.16%
Above 41	389	22.41%	321	29.60%
Total	1,736	100%	1,385	100%
Professional structure	Number	Percentage	Number	Percentage
Brokerage	963	55.47%	916	66.14%
Asset management	26	1.50%	23	1.66%
Proprietary trading	31	1.79%	17	1.23%
Investment banking	87	5.01%	47	3.39%
Research	33	1.90%	7	0.51%
Finance	69	3.97%	60	4.33%
Information technology	78	4.49%	62	4.48%
Liquidation	13	0.75%	3	0.22%
Other business	284	16.36%	142	10.25%
Administration	152	8.76%	108	7.80%
Total	1,736	100%	1,385	100%
Educational background	Number	Percentage	Number	Percentage
Postgraduate or above	279	16.07%	132	9.53%
Undergraduate	1,175	67.68%	1,001	72.27%
College graduate or below	282	16.24%	252	18.19%
Total	1,736	100%	1,385	100%

Directors, Supervisors, Senior Management and Employees

(II) Remuneration of Employees

The remuneration of employees comprises of basic wage, allowances, benefits and others. The Company has made contributions to include, but not limited to, social insurance and housing provident fund on behalf of employees in accordance with relevant requirements of the PRC. The Company has strictly complied with the Labor Law, Labor Contract Law and other external laws and regulations, and established a sound human resources management systems and processes, standardized employment procedures, so as to effectively protect the rights and interests of the employees.

(III) Staff Training Plans

The Company has always paid special attention to staff training, and made surveys and analysis of training at the beginning of the year, compiled the Hengtai Securities training plan for 2015 by issuing Training Questionnaire for 2015 and Survey Sheet of Training Needs, collecting the data for consolidation, statistics and analysis.

Large-scale training activities were organized throughout the year, including three sessions of leadership training for the middle-level management members organized during the first half year; new recruits training (including the special training for graduates, heads of new branches of securities branches and other new recruits training) organized by the Company during the second half of the year, covering 178 trainees.

According to the requirements of the Securities Association of China, the Company has made applications for follow-up training on behalf of all current practitioners who were under employment and have securities qualification certificates. During the year, they have also participated in stock options training of brokerage business, private wealth manager training and business training for wealth center management. The Company has made applications on behalf of its senior management and departments for participating 59 times trainings organized by the Securities Association of China, the Shanghai Stock Exchange and other external training organizations, covering 142 trainees.

Directors, Supervisors, Senior Management and Employees

VII. INFORMATION ABOUT CUSTOMERS SOLICITATION AND CUSTOMER SERVICES OF COMMISSIONS BROKERS

As at the end of 2015, the securities branches of the Company had 703 brokers, designated to the teams of each securities branches and directly managed by the wealth management center of the securities branches, the securities practitioner qualification of the brokers were under centralized management of the human resources department of the Company; Upon signing the entrustment contracts, the securities branches will provide pre-job training and the Company will provide the follow-up training. Management of the brokers has complied with the relevant laws, regulations of the PRC and the wealth management system of the Company, the broker could introduce the general information of the company and the securities market; the general information of securities investment, and business processes such as account opening, trading, fund deposit and withdrawal; laws and regulations of securities trading, relevant provisions of the CSRC, self-regulatory rules and relevant regulations of the Company to the customers; and deliver a research report unified to the customers provided by the Company and information related to securities investments in securities. As at the end of 2015, there were no complaints and disputes with respect to the brokers with the customers.

Corporate Governance Report

I. OVERVIEW OF CORPORATE GOVERNANCE

During the Reporting Period, the Company operated in strict compliance with the requirements of laws, regulations and regulatory documents of the PRC and the listing place, including the Company Law, the Securities Law, the Regulations on the Supervision and Administration of Securities Companies, the Corporate Governance Rules for Securities Companies and the Corporate Governance Code, to continuously improve the corporate governance level. The Company has further formulated a sound regulatory system, to constantly improve the corporate governance structure. During the Reporting Period, the Company revised the Articles of Association, the rules of procedure for general meetings, the rules of procedure for the Board meetings, the rules of procedure for the meeting of Supervisory Committee, the information disclosure management system, the investor relationship management system and the connected transactions management system, etc.

During the Reporting Period, the general meetings, the Board, Supervisory Committee and management have performed their fiduciary duties according to the relevant requirements, ensuring the regulated operation of the Company. The convocation, voting and proposal procedures of general meetings and meetings of the Board and Supervisory Committee are legal and valid. The corporate governance practices of the Company were in full compliance with the relevant requirements.

II. SHAREHOLDERS AND GENERAL MEETINGS

(I) Rights of General Meetings and Shareholders

The Articles of Association and the rules of procedure for general meetings have stipulated the rights and obligations of the Shareholders, the authority of general meeting, the convocation, voting and proposal of general meetings. The general meeting is the supreme authority of the Company.

(II) General Meetings

During the Reporting Period, the Company convened nine general meetings in total, the information about the meetings set out as follows:

1. On January 23, 2015, the Company convened the 1st extraordinary general meeting of 2015, and considered and approved the Proposal on Capital Injection into New China Fund, the proposal on classification management of securities underwriting licenses between parent and subsidiaries, and the Proposal on the Amendment of the Articles of Association of Hengtai Securities Co., Ltd..

Corporate Governance Report

2. On February 26, 2015, the Company convened the 2nd extraordinary general meeting of 2015, and considered and approved the Proposal on Application for Issuance of Beneficiary Certificates, the Proposal on Application for Issuance of Short-term Subordinated Bonds of the Securities Company, the Proposal on Application for Issuance of Perpetual Bonds of the Securities Company and the Proposal on Application for Issuance of Short-term Commercial Paper.
3. On March 9, 2015, the Company convened the 3rd extraordinary general meeting of 2015, and considered and approved for the Proposal on Issuance and Listing of H Shares of the Company in Hong Kong, the Proposal on Converting of the Company into Overseas Subscription Company Limited by Shares, the Proposal on Issuance of Overseas-listed Foreign Shares by way of an Initial Public Offering (H Share) and Reduction of State-owned Shares of Hengtai Securities Co., Ltd., the Proposal on the Plan of the Use of Proceeds Raised from the H Share Issuance, the Proposal on the Validity Period of the Resolution of Issuance and Listing of H Shares, the Proposal on Submitting to the General Meeting of the Company a Mandate for the Board and its Grantees to Deal with Matters Pertaining to the Issuance and Listing of H Shares with Full Discretion, the Proposal on Retaining Profit before Issuance of H shares, the Proposal on Nomination of Zhou Jianjun (周建軍) as the Candidate for Independent Director of the 3rd Session of the Board of the Company and the Proposal on Nomination of Lam Sek Kong (林錫光) as the Candidate for Independent Director of the 3rd Session of the Board of the Company.
4. On April 9, 2015, the Company convened the 4th extraordinary general meeting of 2015, and considered and approved the Proposal on Amendment of the Rules of Procedure for Board Meetings of Hengtai Securities Co., Ltd., the Proposal on the Amendment of the Rules of Procedure for the Supervisory Committee of Hengtai Securities Co., Ltd., the Proposal on the Amendment the Rules of Procedure for General Meeting of Hengtai Securities Co., Ltd., the Proposal on the Amendment of the Articles of Association of Hengtai Securities Co., Ltd. (Draft Version) and the Proposal on the Allowances for the Directors of the 3rd Session of the Board Meeting and the Supervisors of the Supervisory Committee of the Company.
5. On April 22, 2015, the Company convened the 2014 annual general meeting, and considered and approved the Proposal on the 2014 Annual Working Report of the Board Meetings, the 2014 Annual Working Report of the Supervisory Committee, the 2014 Annual Compliance Report of the Company, the 2014 Annual Final Accounting Plans of the Company, the 2014 Annual Report of the Company, the Payment Fees to the Accounting Firm in 2014, the Proposal on the 2015 Annual Business Plans of the Company, the Proposal on the 2015 Annual Budget Proposals of the Company, the 2014 Annual Working Report of the Independent Directors of the Company and Proposal on the Engagement of External Accounting Firm in 2015.

6. On June 9, 2015, the Company convened the 5th extraordinary general meeting of 2015, and considered and approved the proposals on Investor Relations Management System of Hengtai Securities Co., Ltd., the Proposal on the Information Disclosure Management System of Hengtai Securities Co., Ltd. and the Proposal on the Connected Transactions Management System of Hengtai Securities Co., Ltd..
7. On August 12, 2015, the Company convened the 6th extraordinary general meeting of 2015, and considered and approved the Proposal on the Addition of Two Financing Methods and Adjustment of Financing Facilities of the Company, the Proposal on Amending the Plan of Initial Public Offering of Overseas Listed Foreign Shares (H Shares) of the Company and Listing on Main Board of The Stock Exchange of Hong Kong Limited.
8. On September 1, 2015, the Company convened the 7th extraordinary general meeting of 2015, and considered and approved the Proposal on Adjustment of Investment Scale of the Proprietary Equity Securities of the Company and Investment in China Securities Finance Corporation Limited (中國證券金融股份有限公司) for Return Swaps Trading of 2015.
9. On September 24, 2015, the Company convened the 8th extraordinary general meeting of 2015, and considered and approved the Proposal on Purchase of Liability Insurance for Directors, Supervisors and Senior Management of the Company.

III PERFORMANCE OF DUTIES OF BOARD OF DIRECTORS AND MANAGEMENT

(I) Duties of the Board and Management

Duties of the Board

The rights and duties of the Board are set out in the Articles of Association. The main duties of the Board includes convening general meeting and reporting to the general meeting; implementing resolutions of general meeting; determining the Company's business plans and investment plans; formulating the annual financial budgets and final accounting plans of the Company; formulating the profit distribution plan and loss makeup plan of the Company; formulating proposals for the Company in respect of increase or reduction of the registered capital, issue of bonds or other securities and the listing thereof; formulating plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company; determining within the authority granted by the general meeting, such matter as external investment, acquisition and disposal of assets, asset mortgage, consigned financial management, affiliate transactions, etc.; determining the establishment of internal management organizations of the Company; appointing or dismissing the Company's president, secretary to the Board, chief compliance officer; appointing or dismissing the Company's senior management officer including vice president(s), and chief financial officer in accordance with the nominations by the president, and determining their remunerations and rewards and penalties; formulating the basic management system of the Company, etc.

Corporate Governance Report

Duties of the management

To organize and implement the Board's resolution and to report to the Board; to organize and implement the annual operational plan and investment plan of the Company; to prepare plans for the establishment of the Company's internal management; to prepare the plan of the Company's basic management system, to formulate the specific rules of the Company; to decide to appoint or remove executives other than those appointed or removed by the Board; to implement such other function and power as authorised by the Board.

(II) Composition of the Board of Directors

Directors shall be elected or replaced at general meeting. A Director shall serve a term of three years from the date of the resolution passed at the general meeting, and may seek re-election upon expiry of the said term. Currently the Board consists of nine Directors, including 2 executive Directors (Mr. Pang Jiemin (龐介民) (chairman) and Mr. Wu Yigang (吳誼剛)), 4 non-executive Directors (Mr. Zhang Tao (張濤), Mr. Ju Jin (鞠瑾), Mr. Chen Guanglei (陳廣壘) and Mr. Sun Chao (孫超)) and 3 independent non-executive Directors (Mr. Peng Diyun (彭迪雲), Ms. Zhou Jianjun (周建軍) and Dr. Lam Sek Kong (林錫光)).

During the year, the Board has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (the independent non-executive Directors represented over one-third of the Board) with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

There is no financial, business, family or other material/relevant relationship exists among the Board members (particularly the Chairman and the President).

(III) Meetings of the Board of Directors

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

Corporate Governance Report

During the Reporting Period, the Board of Directors convened 25 meetings, the details and resolutions passed were as follows:

1. On January 8, 2015, the 6th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Capital Injection into New China Fund, the Proposal on Classification Management of Securities Underwriting Licenses between Parent and Subsidiaries, and the Proposal on the Amendment of the Articles of Association of Hengtai Securities Co., Ltd., Convening of the 1st Extraordinary General Meeting of 2015.
2. On January 19, 2015, the 7th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Approval of the Issuance and Listing of H Shares of the Company, the Proposal on Approval of BOCOM International (Asia) Limited Acting as the Sponsor of Listing of H Shares of the Company and the Proposal on Authorization the Management of the Company to Appoint Other Intermediaries.
3. On January 26, 2015, the 8th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Addition of 37 Securities Branches in Beijing and Other Cities and the Proposal on Equity Investment in Zhuhai Yinlong Energy Company Limited (珠海銀隆新能源公司) by Hengtai Capital.
4. On February 13, 2015, the 9th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Establishment of a Risk Management Department, the Proposal on Adjustment of Margin Financing and Securities Lending Business, the Proposal on Facilities Increment of Transfer of Right of Return on Refinancing and Margin Financing and Securities Lending Business, the Proposal on Application for Issuance of Beneficiary Certificates, the Proposal on Application for Issuance of Short-term Subordinated Bonds of the Securities Company, the Proposal on Application for Issuance of Perpetual bonds of the Securities Company and the Proposal on Application for Issuance of Short-term Commercial Paper and the Proposal on Convening the 2nd Extraordinary General Meeting of 2015.
5. On February 16, 2015, the 10th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on the Jointly Issuance of Fund by Hengtai Capital Investment Co., Ltd. and Shenzhen Leaguer Tsing-Yuan Venture Capital Management Co., Ltd. (深圳力合清源創業投資管理公司).
6. On February 28, 2015, the 11th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved for the Proposal on Issuance and Listing of H Shares of the Company in Hong Kong, the Proposal on Converting of the Company into Overseas Subscription Company Limited by Shares, the Proposal on Issuance of Overseas-listed Foreign Shares by way of an Initial Public Offering (H share) and Reduction of State-owned Shares of Hengtai Securities Co., Ltd., the Proposal on the Plan of the Use of

Corporate Governance Report

Proceeds Raised from the H Share Issuance, the Proposal on the Validity Period of the Resolution of Issuance and Listing of H Shares, the Proposal on submitting to the General Meeting of the Company a mandate for the Board and its grantees to deal with matters pertaining to the Issuance and Listing of H Shares with Full Discretion, the Proposal on Retaining Profit before Issuance of H Shares, the Proposal on Nomination Zhou Jianjun (周建軍) as the Candidate for Independent Director of the 3rd Session of the Board of the Company and the Proposal on Nomination Lam Sek Kong (林錫光) as the Candidate for Independent Director of the 3rd Session of the Board of the Company, the Proposal on the Approval of Wang Fangjun's (汪方軍) Resignation as an Independent Director and the Proposal on Convening the 3rd Extraordinary General Meeting of 2015.

7. On March 16, 2015, the 12th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Incorporation of the Company as a Non-Hong Kong Company in Hong Kong.
8. On March 26, 2015, the 13th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Amendment of the Rules of Procedure for Board Meetings of Hengtai Securities Co., Ltd., the Proposal on the Amendment the Rules of Procedure for General Meeting of Hengtai Securities Co., Ltd., the Proposal on the Amendment of the Articles of Association of Hengtai Securities Co., Ltd. (Draft Version), the Proposal on Capital Increment in a subsidiary, namely Hengtai Futures, the Proposal on Qi Kaomin's (齊靠民) Resignation of Vice President of the Company, the Proposal on Equity Investment in Focus Multimedia Technology Co., Ltd. (分眾多媒體技術有限公司) by Hengtai Capital, the Proposal on Allowances for the Directors of the 3rd Session of the Board Meeting and the Supervisors of the Supervisory Committee of the Company, and the Proposal on Convening the 4th Extraordinary General Meeting of 2015.
9. On April 3, 2015, the 2nd meeting of the 3rd session of the Board was convened, and considered and approved the 2014 Annual Working Report of the Management, the 2014 Annual Working Report of the Board Meetings, the 2014 Annual Compliance Report of the Company, the 2014 Annual Final Accounting Plans of the Company, the 2014 Annual Report of the Company, the Payment of Fees to the Accounting Firm of 2014, the Proposal on the 2015 Annual Business Plans of the Company, the Proposal on the 2015 Annual Budget Proposals of the Company, the Proposal on the 2015 Working Plan of Audit Department of the Company, Proposal on the Engagement of External Accounting Firm in 2015, and Convening the Annual General Meeting of 2014.
10. On April 20, 2015, the 14th meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Transferring of the 1.5 billion Financing Facilities of Short-term Subordinated Bonds into the That of Beneficiary Certificates, the Proposal on Addition of 52 Securities Branches in Beijing and Other Cities, and the Proposal on Allocation Scheme of Major Classes of Assets of the Proprietary Business of the Company's in 2015.

11. On April 24, 2015, the 15th meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Authorization Each of Directors, Joint Company Secretaries or Any Other Persons Authorized by the Board to Deal with the Matters in Relation to Issuance and Listing of H Shares with Full Discretion, the Proposal on Appointment of Authorized Representatives, the Proposal on Approval of Fees Payment to Hong Kong Stock Exchange for Initial Public Offering, the Proposal on Election of Mr. Lam Sek Kong (林錫光) and Ms. Zhou Jianjun (周建軍) as the Members of the Committees under the Board, the Proposal on Establishment of Hengtai Securities M&A Fund Management Company (恒泰證券併購基金管理公司), the Proposal on Application for Adjustment of the Size of Margin Financing and Securities Lending Business and the Size of Financing, and the Proposal on Solutions of Overdue Rights of Returns of Zhengjiang Zhenghe – AnHua Agricultural Insurance (浙江正和—安華農業保險).
12. On May 4, 2015, the 16th meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on the Relevant System of Risk Management of the Company.
13. On May 25, 2015, the 17th meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Rules of Procedure for the Strategic and Investment Decision-making Committee of the Board of Directors of Hengtai Securities Co., Ltd., the Proposal on Rules of Procedure for the Risk Control and Supervision Committee of the Board of Directors of Hengtai Securities Co., Ltd., the Proposal on Rules of Procedure for the Audit Committee of the Board of Directors of Hengtai Securities Co., Ltd., the Proposal on Rules of Procedure for the Remuneration and Nomination Committee of the Board of Directors of Hengtai Securities Co., Ltd., the Proposal on Investor Relations Management System of Hengtai Securities Co., Ltd., the Proposal on Information Disclosure Management System of Hengtai Securities Co., Ltd., the Proposal on Connected Transactions Management System of Hengtai Securities Co., Ltd. and the Proposal on Convening the 5th Extraordinary General Meeting of 2015.
14. On June 15, 2015, the 18th meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Reorganization of OTC Business of the Company, the Proposal on Equity Investment in Beijing Tianxing Chuanglian Investment Management Co., Ltd. (北京天星創聯投資管理有限公司) by Hengtai Capital.
15. On June 26, 2015, the 19th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Election of Mr. Wu Yigang (吳誼剛) as Vice Chairman of the 3rd Session of the Board and Removal of Him as a President of the Company, and the Proposal on Removal of Mr. Niu Zhuang (牛壯) as Executive Vice President of the Company and Appointment of Him as the President of the Company, Proposal on Accrued Bonus of Hengtai Securities Co., Ltd. of 2014 and the Proposal on Bonus Distribution of Senior Management of Hengtai Securities Co., Ltd. of 2014.

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16. On July 3, 2015, the 20th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Addition of 19 Securities Branches in Beijing and Other Cities and the Proposal on Subscription of Its Own Funds Proposed by New China Fund (a Subsidiary of the Company) with Its Fix Funds.
17. On July 28, 2015, the 21th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Appointment of Vice President of the Company, the Proposal on Addition of Two Financing Methods and Adjustment of Financing Facilities of the Company, Proposal on Amending the Plan of Initial Public Offering of Overseas Listed Foreign Shares (H Shares) of the Company and Listing on Main Board of The Stock Exchange of Hong Kong Limited and the Proposal on Convening the 6th Extraordinary General Meeting of 2015.
18. On August 10, 2015, the 22th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Wholly Converting of Hengtai Futures into a Joint Stock Company with Limited Liability, the Proposal on Wholly Converting of New China Fund into a Joint Stock Company with Limited Liability, the Proposal on Subscription of Tianhong-Hengtai Huixin No. 3 (天弘—恒泰匯鑫3號) Capital Management Plan by Hengtai Pioneer (a Subsidiary of the Company) and the Proposal on Revocation of Tongliao Agula Street Securities Branch (通遼阿古拉大街證券營業部).
19. On August 25, 2015, the 23th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Interim Compliance Report of the Company of 2015.
20. On August 31, 2015, the 24th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Adjustment of Investment Scale of the Proprietary Equity Securities of the Company and Investment in China Securities Finance Corporation Limited (中國證券金融股份有限公司) for Return Swaps Trading of 2015 and the Proposal on Convening the 7th Extraordinary General Meeting of 2015.
21. On September 8, 2015, the 25th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Purchase of Liability Insurance for Directors, Supervisors and Senior Management of the Company and the Proposal on Convening the 8th Extraordinary General Meeting of 2015.
22. On September 21, 2015, the 3rd meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Approval of Initial Public Offering of Overseas Listed Foreign Shares (H Shares) of the Company and Listing on Main Board of The Stock Exchange of Hong Kong Limited.

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23. On September 23, 2015, the 26th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on the Amendment of Rules Governing Margin Financing and Securities Lending Business of Hengtai Securities Co., Ltd. (恒泰証券股份有限公司) and the Proposal on Adjustment of 2015 Annual Budget of the Company.
24. On December 27, 2015, the 27th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on Establishment a Wholly-owned Subsidiary of the Company in Hong Kong.
25. On December 29, 2015, the 28th extraordinary meeting of the 3rd session of the Board was convened, and considered and approved the Proposal on the Amendment of Rules of Procedure for the Audit Committee of the Board of Directors of Hengtai Securities Co., Ltd. (恒泰証券股份有限公司).

(IV) Objections from Independent Non-executive Directors to Issues of the Company.

Nil.

(V) Attendances of Directors at Board Meetings and General Meetings During Their Term of Office For the Reporting Period

Director's name	Position	Number of attendances at Board meetings	Attendance at Board meetings				Voting results	Attendance at general meetings	Remark
			Number of attendances in person	Number of attendances by proxy	Number of absences	Number of attendances at general meetings			
Pang Jiemin (龐介民)	Executive Director	25	25	0	0	All agreed	1		
Wu Yigang (吳誼剛)	Executive Director	25	25	0	0	All agreed	1		
Zhang Tao (張濤)	Non- executive Director	25	25	0	0	All agreed	1		
Ju Jin (鞠瑾)	Non- executive Director	25	23	0	2	All agreed	1		
Chen Guanglei (陳廣壘)	Non- executive Director	25	25	0	0	All agreed	1		
Sun Chao (孫超)	Non- executive Director	25	25	0	0	All agreed	1		
Peng Diyun (彭迪雲)	Independent non- executive Director	25	25	0	0	All agreed	1		
Zhou Jianjun (周建軍)	Independent non- executive Director	16	16	0	0	All agreed	1	Newly elected on April 3, 2015	
Lam Sek Kong (林錫光)	Independent non- executive Director	16	16	0	0	All agreed	1	Newly elected on April 3, 2015	
Wang Fangjun (汪方軍)	Independent non- executive Director	9	8	1	0	All agreed	0	Resigned on April 3, 2015	

Corporate Governance Report

The Chairman met with the non-executive Directors (including the independent non-executive Directors) without any executive Directors present once during the Reporting Period.

(VI) Trainings for Directors, Supervisors and the Senior Management

All Directors confirmed that they had complied with code provisions of the Corporate Governance Code in relation to the training of Directors.

During the Reporting Period, each of the Directors had received training on continuing obligations in relation to compliance issues of Hong Kong-listed companies.

IV. SPECIAL COMMITTEES OF THE BOARD AND DUTY PERFORMANCE

The Board of the Company consists of four special committees, including Strategy and Investment Committee, Risk Control and Supervisory Committee, Audit Committee and Remuneration and Nomination Committee. The special committees of the Board of the Company shall, within their terms of reference specified in the rules of respective procedures, conduct work and be accountable to the Board.

Composition of Committees:

Strategy and Investment Committee:	Pang Jiemin (Chairman), Sun Chao and Lam Sek Kong
Risk Control and Supervisory Committee:	Ju Jin (Chairman), Zhang Tao and Wu Yigang
Audit Committee:	Zhou Jianjun (Chairman), Zhang Tao and Lam Sek Kong
Remuneration and Nomination Committee:	Peng Diyun (Chairman), Ju Jin and Zhou Jianjun

(I) Strategy and Investment Committee

1. Duties of the Committee

The main duties and responsibilities of the Strategy and Investment Committee include: studying the national macro-economic policies; studying the medium to long-term strategic goals and development plans of the Company; studying the development plans of the Company, understanding the basic operational situation of the Company, analyzing and understanding the latest development of the domestic industries; studying and making suggestions on the capital budgets projects and financing plans within the authorization of the Board; studying and making suggestions on projects of capital operation, assets management, and assets disposal within the authorization of the Board; conducting inspection for the implementation status of the above items; and other duties as authorized by the Board. For specific duties and responsibilities of the Strategy and Investment Committee, please refer to Rules of Procedure for the Strategic and Investment Decision-making Committee of the Board of Directors of Hengtai Securities Co., Ltd. (恒泰証券股份有限公司), which has been published on the Company's website and the HKExnews website.

2. Meetings of the Committee

During the Reporting Period, two meetings were convened by the Strategy and Investment Committee, particulars of which are as follows:

On April 15, 2015, Strategy and Investment Committee of the Board convened the first meeting of 2015, at which the Proposal on Allocation Scheme of Major Classes of Assets of the Proprietary Business of the Company's in 2015 was considered and approved and submitted to the Board for consideration.

On December 11, 2015, Strategy and Investment Committee of the Board convened the second meeting in 2015, at which the proposal on Establishment a Wholly-owned Subsidiary of the Company in Hong Kong was considered and approved and submitted to the Board for consideration.

<u>Name of member</u>	<u>Number of required attendances</u>	<u>Number of actual attendances</u>
Pang Jiemin (龐介民)	2	2
Sun Chao (孫超)	2	2
Lam Sek Kong (林錫光)	1	1

(II) Risk Control and Supervisory Committee

1. Duties of the Committee

The main duties and responsibilities of the Risk Control and Supervisory Committee include: reviewing general goals and fundamental policies of the compliance management and risk management of the Company, and making suggestions on the same; reviewing the establishment and responsibilities of the compliance management and risk management, and making suggestions on the same; evaluating the risks of major decisions which shall be reviewed by the Board and making suggestions on the solutions to the major risks; reviewing the compliance report and risk assessment report which shall be reviewed by the Board and making suggestions; formulating regulation system of the Company, supervising its implementation status and making suggestions to the Board; reviewing and supervising the training and continuing professional development of directors and senior management officers; reviewing and supervising the policies of the Company in compliance with laws and regulations and the implementation status of such policies; formulating, reviewing and supervising the code of professional conduct and compliance manual of employee and directors; reviewing the observance of Corporate Governance Code as set out in Appendix 14 to of Listing Rules as well as the information disclosure according to "Corporate Governance Report" by the Company; and other duties as authorized by the Board of the Company. For specific duties and responsibilities of the Risk Control and Supervisory Committee, please refer to Rules of Procedure for the Risk Control and Supervision Committee of the Board of Directors of Hengtai Securities Co., Ltd. (恒泰証券股份有限公司), which has been published on the Company's website and the HKExnews website.

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2. Meetings of the Committee

During the Reporting Period, one meeting was convened by the Risk Control and Supervisory Committee, particulars of which are as follows:

On August 20, 2015, Risk Control and Supervisory Committee of the Board convened the first meeting of 2015, at which the proposal on the Interim Compliance Report of the Company of 2015 was considered and approved and submitted to the Board for consideration.

Name of member	Number of required attendances	Number of actual attendances
Ju Jin (鞠瑾)	1	1
Zhang Tao (張濤)	1	1
Wu Yigang (吳誼剛)	1	1

(III) Audit Committee

1. Duties of the Committee

The main duties and responsibilities of the Audit Committee include: reviewing the financial monitoring, risk management and internal control systems of the Company and the effectiveness of the implementation of these systems. Discussing the risk management and internal control systems with the management to ensure that management has performed its duty to have effective systems and reporting to the Board. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. Conducting study on important findings of risk management and internal control and management's responses on such findings actively or commissioned by the Board; guiding the work of the internal audit department of the Company, and supervising the internal audit system and its implementation; monitoring the annual audits; examining and supervising affiliated party transactions and assessing the appropriateness of affiliated party transactions; making suggestions to the Board on the appointment, reappointment or replacement of external auditors, approving the compensation and terms of engagement for external auditors, as well as handling any matters regarding the resignation or dismissal of external auditors; reporting relevant affairs of the Listing Rules, and other duties as authorized by the Board of the Company and as required by the laws, regulations and rules including the Listing Rules. For specific duties and responsibilities of the Audit Committee, please refer to Rules of Procedure for the Audit Committee of the Board of Directors of Hengtai Securities Co., Ltd. (恒泰證券股份有限公司), which has been published on the Company's website and the HKExnews website.

2. Meetings of the Committee

During the Reporting Period, two meetings were convened by the Audit Committee, particulars of which are as follows:

On March 19, 2015, the Audit Committee of the Board convened the first meeting of 2015, at which the proposals on the Payment of Fees to the Accounting Firms for 2014, the 2015 Working Plan of Audit Projects of the Company and Engagement of External Accounting Firms for 2015 were considered and approved and submitted to the Board for consideration.

On December 24, 2015, the Audit Committee of the Board convened the second meeting of 2015, at which the Proposal on the Amendment to Rules of Procedure for the Audit Committee of the Board of Directors of Hengtai Securities Co., Ltd. (恒泰証券股份有限公司) was considered and approved and submitted to the Board for consideration.

Name of member	Number of required attendances	Number of actual attendances
Wang Fangjun (汪方軍) (resigned on April 3, 2015)	1	1
Zhou Jianjun (周建軍)	1	1
Zhang Tao (張濤)	2	2
Lam Sek Kong (林錫光)	1	1

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(IV) Remuneration and Nomination Committee

1. Duties of the Committee

The main duties and responsibilities of the Remuneration and Nomination Committee include: considering appropriate remuneration policy, performance measuring system, and rewards and punishments incentives for the company in accordance with the features of the security industry, the responsibilities and importance of directors and senior management officers, and comparing with the remuneration level of relevant companies, making suggestions on the regular and transparency process to make remuneration policy to the Board; reviewing on the structure, size and composition (including the expertise, know-how and experience) of the Board, and making suggestions on any proposed changes to be made to the Board to complement the Company's corporate strategy; reviewing and approving the remuneration suggestions of directors and senior management officers in accordance with the Company's development strategy and goal made by the Board; reviewing the selection criteria and procedures of the directors, senior management officers of the Company, and making suggestions to the Board; identifying candidates with suitable qualifications for the directors, senior management officers of the Company in an extensive manner, and selecting and nominating relevant candidates for directors and senior management officers or making suggestions to the Board in this regard; assessing and making recommendations on the candidates of directors and senior management officers, assessing the independence of independent directors; making suggestions to the Board on the plan of the appointment, re-appointment and the succession of directors (especially Chairman of the Board or the president); ensuring that any directors or any of their associates (as defined in the Listing Rules) are not involved in the decision-making process of their own remuneration; other duties as authorized by the Board of the Company. For specific duties and responsibilities of the Remuneration and Nomination Committee, please refer to Rules of Procedure for the Remuneration and Nomination Committee of the Board of Directors of Hengtai Securities Co., Ltd. (恒泰证券股份有限公司), which has been published on the Company's website and the HKExnews website.

2. Meetings of the Committee

During the Reporting Period, two meetings were convened by the Remuneration and Nomination Committee, the particulars of which are as follows:

On June 19, 2015, the Remuneration and Nomination Committee of the Board convened the first meeting of 2015, at which the Proposal on Election of Mr. Wu Yigang as Vice Chairman of the 3rd Session of the Board and Removal of Him as a President of the Company, the Proposal on Appointment of the President of the Company 《關於聘任公司總裁》 and the Proposal on Bonus Distribution of Senior Management of Hengtai Securities Co., Ltd(恒泰証券股份有限公司) of 2014 were considered and approved and submitted to the Board for consideration.

On July 22, 2015, Remuneration and Nomination Committee of the Board convened the second meeting of 2015, at which the Proposal on Appointment of Vice President of the Company was considered and approved and submitted to the Board for consideration.

<u>Name of member</u>	<u>Number of required attendances</u>	<u>Number of actual attendances</u>
Peng Diyun (彭迪雲)	2	2
Ju Jin (鞠瑾)	2	2
Zhou Jianjun (周建軍)	2	2

V. CHAIRMAN AND PRESIDENT

The positions of the chairman of the Board and president of the Company are taken by different persons. Mr. Pang Jiemin (龐介民) served as the chairman of the Board and Mr. Niu Zhuang (牛壯) served as the president. Their duties and authorities are clearly divided and specified in the Articles of Association.

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

As at the end of the Reporting Period, the Company had four non-executive Directors and three independent non-executive Directors. Please refer to Section 9 "Directors, Supervisors, Senior Management and Employees".

VII. SUPERVISORY COMMITTEE AND DUTY PERFORMANCE

(I) Duties of the Supervisory Committee

Duties of the Supervisory Committee are specified in the Articles of Association and its main duties and authorities are to review the periodic reports of the Company prepared by the Board and express its written opinion; to check the financial condition of the Company; to monitor the performance of duties by directors and senior management officers, raise questions to or propose dismissal of such directors and senior management officers as in breach of the laws, regulations, these Articles of Association or the resolutions of general meetings; to require directors and senior management officers to make corrections in the event that their conduct has damaged the interests of the Company; to propose the convening of extraordinary general meetings and, in the event that the Board does not perform the obligations to convene and preside over the general meetings in accordance with the Company Law, to convene and preside over the general meetings; to initiate legal proceedings against directors and senior management officers; to monitor the compliance and validity of the decision-making of the Board; to organize the off-office auditing for the senior management officers; other duties as stipulated by the laws, regulations, department rules and these Articles of Association.

(II) Composition of the Supervisory Committee

In respect of such Supervisors as served by shareholders, the abovementioned Supervisors shall be elected or replaced by the general meeting. In respect of such Supervisors as served by the employees, such Supervisors shall be elected or replaced by the employees of the Company by means of democratic election. The term of office of each Supervisor shall be three years per session. Upon expiry of the term, the Supervisor may be re-appointed upon re-election. Supervisory Committee of the Company currently consists of three members, namely, Mr. Guo Liwen (郭力文), the chairman, Ms. Pei Jingjing (裴晶晶), the shareholder representative Supervisor, and Mr. Wang Hui (王慧), the employee representative Supervisor.

(III) Meetings of the Supervisory Committee

The Supervisory Committee convened four meetings during the Reporting Period, particulars of which are as follows:

1. On March 26, 2015, the third session of the Supervisory Committee convened the first extraordinary meeting, at which Proposal on the Amendments to Rules of Procedures for the Supervisory Committee of Hengtai Securities Co., Ltd. and Proposal on the Amendments to the Articles of Association of Hengtai Securities Co., Ltd. (Draft) were considered and approved.
2. On March 31, 2015, the third session of the Supervisory Committee convened the second extraordinary meeting, at which the Proposal on the Off-office Auditing in respect of the Resignation of Mr. Qi Kaomin (齊靠民) as the Vice President of the Company was considered and approved.
3. On April 3, 2015, the third session of the Supervisory Committee convened the second meeting, at which Proposal on the 2014 Annual Working Report of the Supervisory Committee of Hengtai Securities Co., Ltd. and the Proposal on 2014 Annual Working Report of Hengtai Securities Co., Ltd. were considered and approved.
4. On December 24, 2015, the third session of the Supervisory Committee convened the third extraordinary meeting, at which the Proposal on the Off-office Auditing of the Resignation of Mr. Qi Kaomin (齊靠民) as the Legal Representative of Hengtai Securities Co., Ltd. was considered and approved.

(IV) Attendances of Supervisors

Name of Supervisor	Position	Number of required attendances	Attendances in person	Attendances by delegation	Absence	Results of voting
Guo Liwen (郭力文)	Chairman of the Supervisory Committee	4	4	0	0	All agreed
Pei Jingjing (裴晶晶)	Shareholder representative Supervisor	4	4	0	0	All agreed
Wang Hui (王慧)	Employee representative Supervisor	4	4	0	0	All agreed

VIII. OTHER RELATED ISSUES

(I) Shareholders' Right

The Company convened and held general meetings according to the Articles of Association and Rules of Procedure for General Meetings to guarantee the equal status and full exercise of rights for all Shareholders, especially the small and medium ones. When a general meeting is convened, all of the Company's Directors, Supervisors and secretary to the Board should attend the general meeting and the president and other senior management shall attend the general meeting as observers according to requirements and answer the Shareholder's questions.

According to Article 73 of the Articles of Association, shareholder(s) severally or jointly holding 10% or more shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to laws, regulations and these Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. In the event that the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the event that the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding 10% or above shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing. In the event that the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after receipt of the said request. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the event that the Supervisory Committee does not issue the notice for the general meeting within the term stipulated, the Supervisory Committee shall be deemed as failing to convene and preside over the general meeting. As a result, the shareholder(s) severally or jointly holding 10% or more shares of the Company for 90 consecutive days or longer may convene and preside over such meeting by itself/themselves. According to Article 75, for the general meeting convened by the Supervisory Committee or shareholders on its/their own, the Board and the secretary to the Board shall cooperate. The Board shall provide the register of shareholders on the record date of the equity interests. According to Article 78, the shareholder(s) severally or jointly holding 3% or above shares of the Company shall be entitled to propose motions concerning such matters other than nominating candidates for directors (including independent directors) or supervisors to the Company. The shareholder(s) severally or jointly holding 3% or above shares of the Company may submit written provisional motion to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting within two days after receipt of such motion, and notify the shareholders of the contents of the provisional motion. Save as specified in the preceding paragraph, the convener shall not change the motion set out in the notice of general meeting or add any new motion after the said notice announcement is served. Such motions which are not specified in the notice of the general meeting or which do not comply with Article 77 of these Articles of Association shall not be voted or resolved at the general meeting. According to Article 87, any shareholder entitled to attend and vote at a general meeting shall have the right to appoint one or several persons (who may not be shareholders) to act as his proxy to attend and vote at the meeting on his behalf.

Resolutions passed at the general meeting shall be immediately announced in accordance with the laws, regulations, department rules, normative documents, provisions of the securities regulatory authorities at the place where the shares of the Company are listed, or the provisions of these Articles of Association. Such minutes of meeting, together with the signatures of the shareholders attending meeting and the powers of attorney concerning the proxies attend the meeting on behalf of others, shall be kept at the domicile of the Company. Shareholders may consult photocopies of the minutes of meetings free of charge during the business hours of the Company. In the event of any shareholder asking for photocopies of such minutes, the Company shall deliver the photocopies in seven days after receiving rational expenses.

Shareholders or their proxies shall declare their opinions when considering issues and can make inquiries on issues affecting their judgment and vote and ask reporters to give explanation. Save for such matters in relation to the business secrets of the Company as cannot be disclosed at the general meeting, directors, Supervisors and senior management officers shall provide explanations in relation to the inquiries and suggestions made by shareholders on general meetings.

(II) Compliance with Model Code

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the directors and supervisors. Having made specific enquiry with all directors and supervisors of the Company, all directors and supervisors confirmed that they have complied with the required standard set out in the Model Code during the period from the Listing Date to December 31, 2015.

(III) Liability insurance of the directors, supervisors and management of the Company

The Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed regularly.

(IV) Responsibilities of Directors concerning Financial Statements

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

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

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(V) Appointment and Remuneration of Auditors

Please refer to “VIII. Engagement of accounting firms” under Section 7 “Other Material Particulars” of this report.

(VI) Review of the Audit Committee

The Audit Committee has reviewed the Company’s consolidated financial statements of 2015.

(VII) Joint Company Secretaries

Mr. Zhang Wei (張偉) and Ms. Leung Wing Han Sharon (梁穎嫻) are joint company secretaries of the Company. Ms. Leung Wing Han Sharon (梁穎嫻) (vice president of SW Corporate Services Group Limited) provides assistance to Mr. Zhang Wei (張偉) in the discharge of his duties as a company secretary. The Company’s main contact person is Mr. Zhang Wei (張偉), the secretary to the Board and the joint company secretary of the Company. Mr. Zhang Wei (張偉) has been informed of the requirements under Rule 3.29 of the Listing Rules. Considering that the H shares of the Company has not been listed on the Hong Kong Stock Exchange until October 15, 2015, Mr. Zhang Wei (張偉) will comply with such requirements starting from the year 2016 and his compliance with such requirements for the year ending December 31, 2016 will be reported in the corporate governance report in the 2016 annual report of the Company. For the year ended December 31, 2015, Ms. Leung Wing Han Sharon (梁穎嫻) has received no less than 15 hours of professional training in accordance with Rule 3.29 of the Listing Rules.

Minutes of all meetings of the Board and Committees are kept by the company secretaries, and are available for inspection by the Directors upon required.

(VIII) Communications with Shareholders

The general meeting shall be the supreme authority of the Company. All Shareholders exercise their power through the general meeting. The Company convened general meetings in strict accordance with relevant provisions and ensured all shareholders could enjoy equal status and fully exercise their rights as shareholders. In strict accordance with the Company’s Articles of Association, the Company maintains orderly development in the interest of the Company and shareholders.

Attaching great importance to opinions and suggestions of its shareholders, the Company designated staff to keep in contact with shareholders and meet their reasonable demands in time. The Company releases its announcements, financial data and other relevant data in the column of Investor Relations on its website www.cnht.com.cn. The shareholders may send any enquiry by mail, telephone call or in writing to the Company’s address. The Company will properly handle all enquiries in time.

The Company welcomes suggestions from shareholders, and encourages shareholders to attend general meetings or directly express misgivings that they may have to the Board and the management. Usually, Directors, Supervisors and senior management of the Company would attend annual general meetings and other general meetings to answer questions put forward by shareholders.

(IX) Investor relation activities

The Company has always paid high attention to investor relations management. During the Reporting Period, the Company communicated with investors through multiple ways like conducting non-deal roadshows, making phone calls, sending emails, receiving visitors and attending investor meetings, so as to reinforce the communication services to investors.

During the reporting period, the Company proactively performed its obligations on information disclosure in strict compliance with relevant laws, regulations and regulatory provisions to ensure that investors can know the Company's material matters in a timely, truthful, accurate, complete and fairly manner, and fully exercise their rights to protect their relevant interests.

(X) Board diversity policy

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

The Company's board diversity policy can be summed up as follows: The Company believes that the board diversity is important in terms of the corporate governance and the efficiency of the Board. In designing the Board's composition, the Company considers board diversity from a number of aspects to ensure a balance among the Board members in terms of techniques, experiences as well as perspective diversity, so as to promote the effective operation of the Board and maintain the corporate governance standard at a high level. Nominations and appointments of the members of the Board will be based on meritocracy and requirements of the routine operation of the Board with the benefit from Board diversity in consideration.

The Remuneration and Nomination Committee of the Company will be primarily responsible for recruitment of candidates with appropriate capacity to be directors. Meanwhile, it will take into account Board diversity policy in the selection. The Remuneration and Nomination Committee of the Company will discuss at least annually all the agreed measurable objectives to ensure the continuous effectiveness of the Board.

Corporate Governance Report

(XI) AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, the company amended the Articles of Association twice.

1. On April 9, 2015, the company convened the fourth extraordinary general meeting of 2015. At the meeting, the resolution regarding the amendments to Articles of Association (draft) of Hengtai Securities Co., Ltd was considered and approved. Pursuant to requirements as set out in the Special Regulations on Overseas Offering and Listing of Shares by Joint Stock Limited Companies issued by the State Council, the Mandatory Provision for the Articles of Association of Companies to be Listed Overseas, Circular Regarding Comments on the Amendments to Articles of Association of Companies Listed in Hong Kong, the Listing Rules and Rules for Governance of Securities Companies and other relevant stipulations, the company amended its Articles of Association and the amendments went into effect as at the date when the overseas listed foreign shares (H shares) of the Company were listed on the Hong Kong Stock Exchange.
2. Following the full exercise of the over-allotment option on November 6, 2015, in accordance with the authorization granted to the Board at the extraordinary general meeting of the Company on March 9, 2015, to amend the Articles of Association of the Company in accordance with the relevant laws and regulations, the requirements and suggestions of relevant authorities and regulatory bodies, as well as the actual situation of the offering, the Company has made relevant amendments to the Articles of Association to reflect the issue and sales of shares of the Company and the increase in the registered capital of the Company as a result of the full exercise of the over-allotment option. The relevant amendments came into effect on November 11, 2015, when H shares under the over-allotment option were listed on the Hong Kong Stock Exchange.

(XII) Internal control

1. Building of internal control system

The Company has, according to the Corporate Governance Code, the Norms for the All-rounded Risk Management of Securities Companies, the Guidance for the Internal Control of Securities Companies and the Basic Standard for Enterprise Internal Control set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, built an internal control system suiting its business management requirements. Through supervision and implementation of various internal control systems, the Company has basically achieved its objectives of internal control, thus providing support for healthy operation of various business activities and implementation of relevant laws, regulations and the Company's internal rules.

During the Reporting Period, in accordance with the relevant regulations on the internal control of listing companies by Hong Kong Stock Exchange, the Legal and Compliance Department of the Company took the lead in organizing and sorting out various business processes in a systematic manner and conduct an appraisal on the effectiveness of design and implementation of the internal control system.

The Company will continue to strengthen the building of the internal control system, sort out the present internal control processes and integrate the key points of the internal control work. The Company will also, in compliance with the Basic Standard for Enterprise Internal Control and its supporting guidelines, in view of post-listing external regulatory requirements and business situation, establish, update and perfect relevant measures for relevant process management and control, which will subsequently be implemented as regulations.

2. Internal control appraisal

On March 24, 2016, Ruihua Certified Public Accountants LLP, the audit institution of the Company, produced Special Report on Internal Control of Hengtou Securities Co., Ltd. (Rui Hua Zhuan Shen Zi [2016] No. 01360046) regarding the Company's internal control, believing that the Company has maintained effective internal control over financial reporting in all material respects on December 31, 2015 according to the Basic Standard for Enterprise Internal Control and relevant regulations.

Pursuant to the Basic Standard for Enterprise Internal Control and ancillary guidelines, the Guidance for the Internal Control of Securities Companies issued by China Securities Regulatory Commission and relevant rules and regulations, the Board has conducted an appraisal on the internal control. The Board believed that, during the Reporting Period, the Company has maintained effective internal control in all material respects, the Company did not have major defect in terms of internal control mechanism and system as well as deviation regarding the implementation process, which means the overall internal control was effective.

3. Report of other matters

(1) Building of compliance system

During the Reporting Period, the Company, in strict accordance with relevant laws, regulations and rules, carefully implemented requirements on industrial supervision and compliance management of the Board, carried out overall compliance management work in order, taking risk control as the starting point, implementation of internal control as the measure and effective management as the goal.

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As the main bodies of compliance management duties, the Board, the Supervisory Committee, the management, the compliance officer, the compliance department, the leaders of all the departments and branches, in accordance with the Provisional Regulatory Requirements on Compliance Management of Securities Companies and related regulatory measures from the CSRC, the Compliance Measures and other rules formulated by the Company, continuously improve the duty system of all levels regarding compliance management and earnestly fulfil respective duties so as to promote the operation of all business in a compliance with regulations.

I. Constantly improving the Company's compliance management system

Organizing all departments, branches, subsidiaries to sort out internal control system and formulate planning for system building, the Company demanded that the internal control system can reflect exactly regulatory requirements and operational rules so as to provide standardized guidance for the business operation.

II. Carrying out compliance inspection and consultation

Compliance inspection and consultation are the important means of taking business compliance risk under control. During the Reporting Period, the Company continuously improved the effectiveness of compliance inspection and consultation work and produce compliance opinions and suggestions with discretion.

During the Reporting Period, the Company organized reviews over 195 projects and products with 192 compliance opinions issued. In addition 3,521 agreements, contracts and various matters were reviewed.

III. Compliance training and promotion

Building a regular compliance training and promotion mechanism will promote understanding of laws, regulations and the internal control system, and development of proactive compliance awareness, thus creating sound compliance atmosphere. During the Reporting Period, the Company organized 38 compliance trainings including 28 internal trainings and attended 10 trainings arranged by SAC and other regulatory authorities.

IV. Strengthening information isolation wall work

During the Reporting Period, the Company timely sorted out people involving sensitive information and maintained name lists for inspection and restriction. The Company, added a module for information isolation wall on the internal control platform to facilitate business isolation management, avoiding interest conflicts and tunneling.

V. Dealing with complaints and reporting matters

As to complaints and reporting matters, the Company specially appointed persons to collect from all branches and business departments, tracked the progress, supervised related departments appropriately in dealing with the complaints and reporting and submitted complaints circumstances by corporate clients to the regulatory departments on a regular basis.

VI. Performing duties of anti-money laundering and financial stability

The Company seriously accomplished groundwork of anti-money laundering, continuously implemented promotion of anti-money laundering, constantly improved the quality of large-size transactions and suspicious transactions, earnestly performed the duties of anti-money laundering. The Company also established, revised 16 anti-money laundering rules, organized all business lines to implement self-appraisal on anti-money laundering and timely reported to the PBOC Hohhot Branch the significant events and submitted various reports and statements.

VII. Conducting appraisals regarding the effectiveness of compliance management.

During the Reporting Period, as authorized by the Board, the Company conducted appraisals regarding the effectiveness of compliance management for 2015. In accordance with the business situation, the Company has constantly perfected compliance management mechanism with additional appraisals on share transfer market-making, Shanghai-Hong Kong Stock Connect, asset securitization, alternative investment business, direct investment business followed by tracking, supervising, improving and implementing over issues discovered.

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(2) Inspections completed by the Legal and Compliance Department

During the Reporting Period, according to the requirements of regulatory authorities, the Company conducted compliance inspections with special focus on brokerage business, proprietary business, listing recommendation business in share transfers system, asset management business, information system management and e-commerce business. Compliance advices for existing problems were offered with requirements of proactive improvement by all departments in charge and subsequent implementation.

(3) Inspection and audit completed by the Audit Department

During the Reporting Period, the Company carried out comprehensive review and audit work and achieved the working goal of full coverage of internal audit. The Company continued to enhance the three-level review mechanism for audit projects and constantly improve audit quality of projects. The Company has smoothly pressed ahead the official launching of the audit management system, and timely notify, regularly follow up and continually supervise the issues identified during the audit, thus effectively increased awareness of risk prevention of the units being audited, and resolved potential risks.

During the Reporting Period, the Company completed 133 audits, representing 107.25% of completion rate, and produced 14 audit opinions on operational goals, 49 audit briefings, 54 auditor's reports and submitted four quarterly reports on progress of rectification supervision.

(4) Monitoring risk control indicators and building replenishment mechanism

With the purpose of building a risk control indicator system centering on net capital, enhancing internal control and effectively preventing and resolving operational risks, the Company, pursuant to the Administrative Measures for Risk Control Indicators of Securities Companies, the Guidance for the Dynamic Monitoring System of the Risk control indicators of the Securities Companies and other regulations, in view of the actual situation, defined the Administrative Measures for Risk Control Indicators and the Regulations for Stress Testing and other internal control rules.

The Company will conduct stress test of risk control indicators before events such as carrying out new business and significant business, distributing profit and expanding business scale which will make impact on net capital and other risk control indicators. Through building stress scenario database, adopting analysis method integrating quantity and quality, measuring the change of net capital and other risk control indicators as well as financial indicators under stressed situation, the stress test represent the process that the Company evaluates the risk tolerance, defines reasonably the maximum scale of relating business and allocation of profit and takes necessary responsive measures.

The Company, according to relating laws, regulations, rules and requirements of internal control system, in view of the risk tolerance and business progress, set a threshold level in respect of investment scale, maximum loss, warning thresholds and other critical risk control indicators, based on which, monitoring and control will be conducted so as to ensure the compliance with regulatory requirement of all risk control indicators.

The Company, in accordance with its own balance sheet and business progress, built a net capital replenishment mechanism to ensure that net capital and other risk control indicators reaching the warning level, the risk management department will propose to adopt measures such as reducing the number of investment or operation categories or scale with higher risks, collecting account receivables, transferring long-term equity investment, disposing tangible and intangible assets, increasing transfer of discretionary surplus reserve, reducing or suspending distribution of profits, issue of subordinated bonds or swapping debt to equity, raising capital and other ways to replenish the capital, so that net capital and other risk control indicators will satisfy the regulatory requirements.

(5) Standardization of accounts

The Company carried out account management in strict accordance with the relevant requirements of account management, made the account management normalization, standardization and systematism, so as to further improve the long-effective mechanism of standardized management of accounts.

During the Reporting Period, the Company further strengthened the management of account opening, effectively avoided the unqualified account by intensifying supervision and review; standardized and cleaned up the unqualified, dormant and risk disposal accounts. As at the end of Reporting Period, the Company logged 40 unqualified accounts, 20,060 pure capital accounts, 1,166 accounts frozen by the Company, 20 accounts frozen by the court and no risk disposal account. The Company will continue to strengthen standardized management of accounts, strictly executive the systems for internal accountability of standardized management of accounts and effectively implement various works of standardized management of accounts.

Appendix

As at the end of the Reporting Period, the Company had established 114 securities branches, details of which are set out in the following table:

S/N	Name	Office address	Date of incorporation	Person in charge	Contact No.
1	Hengtai Securities Co., Ltd. Ulanqab Jianshe Road Securities Branch (恒泰证券股份有限公司烏蘭察布市建設路證券營業部)	Room 301, 302, 303, Building K18 Anda Guoji Jiayuan, Enhe Road, Jining District, Ulanqab, Inner Mongolia (內蒙古自治區烏蘭察布市集寧區恩和路安大國際嘉園K18棟301、302、303)	1997.7.31	Guo Lifeng (郭立峰)	0474-8222000
2	Hengtai Securities Co., Ltd. HLD Hexi development District Securities Branch (恒泰证券股份有限公司海拉爾河西開發區證券營業部)	Caoshi Street, Hailaer Hexi development zone, Hulunbeir, Inner Mongolia (內蒙古自治區呼倫貝爾市海拉爾河西開發區草市街)	1997.7.30	Zhu Shengwang (朱勝望)	0470-8352899
3	Hengtai Securities Co., Ltd. Chifeng Hada Street Securities Branch (恒泰证券股份有限公司赤峰哈達街證券營業部)	Building 1, Jiushenmiao neighborhood committee, Xitun Office, Hongshan District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市紅山區西屯辦事處九神廟居委會1號樓)	1996.8.20	Zhang Hongyun (張紅雲)	0476-8338989
4	Hengtai Securities Co., Ltd. Baotou Gangtie Street Securities Branch (恒泰证券股份有限公司包頭鋼鐵大街證券營業部)	5/F, Commercial guild hall Office, No. 56, Kunqu Gangtie Avenue, Baotou, Inner Mongolia (內蒙古自治區包頭市昆區鋼鐵大街56號工商會館寫字樓5樓)	1993.10.22	Yang Huilin (楊慧琳)	0472-6990128
5	Hengtai Securities Co., Ltd. Dongsheng Erdos Street Securities Branch (恒泰证券股份有限公司東勝鄂爾多斯大街證券營業部)	No. 11 Erdos West Street, Dongsheng, Inner Mongolia (內蒙古自治區東勝市鄂爾多斯西街11號)	1997.8.13	He Jun (何軍)	0477-8331678
6	Hengtai Securities Co., Ltd. Linhe District Shengli North Road Securities Branch (恒泰证券股份有限公司臨河勝利北路證券營業部)	4/F, Hua'ao Building, No.1 Shengli North Road, Linhe District, Bayannur, Inner Mongolia (內蒙古自治區巴彥淖爾市臨河區勝利北路1號華澳大廈四層)	1997.8.13	Cheng Xiaohu (程小虎)	0478-8226336
7	Hengtai Securities Co., Ltd. WuHai Haila South Road Securities Branch (恒泰证券股份有限公司烏海海拉南路證券營業部)	No. 26 Haila South Road, Wuhai, Inner Mongolia (內蒙古自治區烏海市海拉南路26號)	2000.8.3	Lv Zhongkai (呂忠凱)	0473-2017526
8	Hengtai Securities Co., Ltd. Hohhot Ulanqab East Road Securities Branch (恒泰证券股份有限公司呼和浩特烏蘭察布東街證券營業部)	4/F, Building 102, "Yuanyi Yujing", Ulanqab East Road, Saihan District, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市賽罕區烏蘭察布東街"圓藝禦景"102號樓4層)	1993.6.4	Jin Xuxia (金旭霞)	0471-4962351

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S/N	Name	Office address	Date of incorporation	Person in charge	Contact No.
9	Hengtai Securities Co., Ltd. Hohhot Xincheng North Street Securities Branch (恒泰証券股份有限公司呼和浩特新城北街證券營業部)	No. 62 Xincheng North Street, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市新城北街62號)	1992.6.23	Ba Gen(巴根)	0471-6922856
10	Hengtai Securities Co., Ltd. Hohhot Zhongshan West Road Securities Branch (恒泰証券股份有限公司呼和浩特中山西路證券營業部)	No. 66 Zhongshan West Road, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市中山西路66號)	1993.10.22	Kang Cheng (康誠)	0471-6286962
11	Hengtai Securities Co., Ltd. Hohhot Xilin South Road Securities Branch (恒泰証券股份有限公司呼和浩特錫林南路證券營業部)	No. 601, Block C, Yingjia Guoji, Xilin South Road, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市錫林南路盈嘉國際C座601號)	1997.8.5	Li Sheng (李聖)	0471-6917051
12	Hengtai Securities Co., Ltd. Baotou Qingshan District Ziyou Road Securities Branch (恒泰証券股份有限公司包頭青山區自由路證券營業部)	No. 24 Ziyou Road, Qingshan District, Baotou, Inner Mongolia (內蒙古自治區包頭市青山區自由路24號)	2009.6.8	Du Hongwei (杜宏偉)	0472-6962838
13	Hengtai Securities Co., Ltd. Baotou Wulandao Securities Branch (恒泰証券股份有限公司包頭烏蘭道證券營業部)	Bottom No. 9 Jinsedidai Apartment, Kunqu Wulandao, Baotou, Inner Mongolia (內蒙古自治區包頭市昆區烏蘭道金色地帶公寓9號底號)	2009.6.8	Wang Wenxue (王文學)	0472-2318629
14	Hengtai Securities Co., Ltd. Erdos Xuejiawan Junggar Road Securities Branch (恒泰証券股份有限公司鄂爾多斯薛家灣准格爾路證券營業部)	2/F, Dajianhang, Junggar Road, Xuejiawan Town, Junggar Banner, Erdos, Inner Mongolia (內蒙古自治區鄂爾多斯市准格爾旗薛家灣鎮准格爾路大建行二樓)	2009.6.23	HuangHaikuan (黃海寬)	0477-4212298
15	Hengtai Securities Co., Ltd. Alashan League Bayanhaot Jilantai Road Securities Branch (恒泰証券股份有限公司阿拉善盟巴彥浩特吉蘭泰路證券營業部)	Minsheng Garden Shop, Jilantai Road South, Bayanhaot Town, Alashan League Alashan Left Banner, Inner Mongolia (內蒙古自治區阿拉善盟阿拉善左旗巴彥浩特鎮吉蘭泰路南民生花園商鋪)	2009.11.23	Gao Xiaochun (高小春)	0483-8351609
16	Hengtai Securities Co., Ltd. Zhalantun Central Road Securities Branch (恒泰証券股份有限公司扎蘭屯中央路證券營業部)	Former Nongken Mall Building, Yong'anju Central Road, Zhengyangban, Zhalantun, Hulunbeir, Inner Mongolia (內蒙古自治區呼倫貝爾市扎蘭屯市正陽辦永安居中央路原農墾商場樓)	2009.10.23	Wang Jian (王劍)	0470-3218089

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S/N	Name	Office address	Date of incorporation	Person in charge	Contact No.
17	Hengtai Securities Co., Ltd. Manchuria Shulin Road Securities Branch (恒泰证券股份有限公司滿洲里樹林路證券營業部)	2/F, Jinding Building, No. 17 Manchuria Shulin Road, Hulunbeir, Inner Mongolia (內蒙古自治區呼倫貝爾市滿洲里樹林路17號金鼎大廈2樓)	2009.10.23	Wang Qiming (王啟明)	0470-6239595
18	Hengtai Securities Co., Ltd. Yakeshi Yingbin West Street Securities Branch (恒泰证券股份有限公司牙克石迎賓西街證券營業部)	Zonghe Building, Yingbin West Street, Yakeshi, Hulunbeir, Inner Mongolia (內蒙古自治區呼倫貝爾市牙克石市迎賓西街鐵龍綜合樓)	2009.10.23	Geng Zhenshan (耿振山)	0470-7357266
19	Hengtai Securities Co., Ltd. Erenhot Xinhua Avunue Securities Branch (恒泰证券股份有限公司二連浩特新華大街證券營業部)	No. 010110, Building 5, Xuefuxinyuan Community, Xinhua Avunue North Qianjin Road West, Erenhot, Inner Mongolia (內蒙古自治區二連浩特市新華大街北、前進路西學府馨苑小區5號樓010110號)	2009.11.4	Huo Dongsheng (霍東勝)	0479-7527100
20	Hengtai Securities Co., Ltd. Chifeng Tianyi Road Securities Branch (恒泰证券股份有限公司赤峰天義路證券營業部)	B9 South, Bajiazutuan Yulongjiayuan Community, Xincheng District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市新城区八家組團玉龍家園小區) B9南側廳	2009.6.22	Zhao Zhongxin (趙忠信)	0476-8428233
21	Hengtai Securities Co., Ltd. Xilinhot Tuanjie Avenue Securities Branch (恒泰证券股份有限公司錫林浩特團結大街證券營業部)	Xinlinguole Hotel Business Building, Tuanjie Avenue, Xilinhot, Inner Mongolia (內蒙古自治區錫林浩特市團結大街錫林郭勒賓館商業樓)	2009.5.11	Xu Changfeng (徐長鋒)	0479-8248846
22	Hengtai Securities Co., Ltd. Tongliao Central Avenue Securities Branch (恒泰证券股份有限公司通遼中心大街證券營業部)	(Underground 114 and 115, 1-2/F, Building 6, Halal Check-in Halal Community) Yong'an Middle Road, Khorchin District, Tongliao, Inner Mongolia (內蒙古自治區通遼市科爾沁區永安路中段(清真辦理處清真小區6號樓1-2層和地下室114、115室))	2009.1.20	Tian Chunyan (田春艷)	0475-2397878
23	Hengtai Securities Co., Ltd. Chifeng Pingzhuanghahe Street Securities Branch (恒泰证券股份有限公司赤峰平莊哈河街證券營業部)	Pingzhuanghahe Street East North, Yuanbaoshan District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市元寶山區平莊哈河街東段北側)	2009.1.20	Wang Yuelong (王躍龍)	0476-3517417
24	Hengtai Securities Co., Ltd. Shanghai Shuidian Road Securities Branch (恒泰证券股份有限公司上海水電路證券營業部)	No. 1461 Shuidian Road, Hongkou District, Shanghai (上海市虹口區水電路1461號)	2009.3.10	Chen Yong (陳勇)	021-65617128

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S/N	Name	Office address	Date of incorporation	Person in charge	Contact No.
25	Hengtai Co., Ltd. Beijing Dongsanhuan Central Securities Branch (恒泰證券股份有限公司北京東三環中路證券營業部)	1/F, 11A, and 2/F, 11B, Building 5, No. 76 Baiziwán South Second Road, Chaoyang District, Beijing (北京市朝陽區百子灣南二路76號院5號樓1層11A、2層11B)	2009.3.10	Yang liu (楊柳)	010-87751985
26	Hengtai Securities Co., Ltd. Nanjing Shuiximen Avenue Securities Branch (恒泰證券股份有限公司南京水西門大街證券營業部)	No. 203 Shuiximen Avenue, Jianye District, Nanjing, Jiangsu (江蘇省南京市建邺區水西門大街203號)	2003.9.30	Chong Xinong (崇曦農)	025-84780368
27	Hengtai Securities Co., Ltd. Shanghai Zhangyang Road Securities Branch (恒泰證券股份有限公司上海張楊路證券營業部)	4/F, No. 3399 Zhangyang Road, Pudong District, Shanghai (上海市浦東新區張楊路3399號四層)	1996.12.21	Li Lisong (李麗松)	021-68533517
28	Hengtai Securities Co., Ltd. Shanghai Xiangde Road Securities Branch (恒泰證券股份有限公司上海祥德路證券營業部)	No. 383 Xiangde Road Shanghai (上海市祥德路383號)	1996.10.30	Lian Wanpeng (連萬鵬)	021-65085138
29	Hengtai Securities Co., Ltd. Beijing Ande Road Securities Branch (恒泰證券股份有限公司北京安德路證券營業部)	No. 9 Dixingju Ande Road, Dongcheng District, Beijing (北京市東城區安德路地興居9號)	2003.3.28	Yuan Liang (原亮)	010-84128668
30	Hengtai Securities Co., Ltd. Beijing Nanbinhe Road Securities Branch (恒泰證券股份有限公司北京南濱河路證券營業部)	(2/F, Gaoxin Building) No. 1 South Binhe Road, Guang'anmenwai, Xuanwu District, Beijing (北京市宣武區廣安門外南濱河路1號(高新大廈二層))	2000.9.30	Gao Wa (高娃)	010-63431907
31	Hengtai Securities Co., Ltd. Hangzhou Fengqi Road Securities Branch (恒泰證券股份有限公司杭州鳳起路證券營業部)	16/F, Zhijun Building, No. 96 Fengqi Road, Hangzhou, Zhejiang (浙江省杭州市鳳起路96號之俊大廈16樓)	2004.7.20	Chen Yiping (陳宜平)	0571-85802451
32	Hengtai Securities Co., Ltd. Shanghai Xiaomujiao Road Securities Branch (恒泰證券股份有限公司上海小木橋路營業部)	No. 1-3, Lane 223, Xiaomujiao Road, Shanghai (上海市小木橋路223弄1-3號)	2003.5.16	Yu Anyi (余安義)	021-64048297
33	Hengtai Securities Co., Ltd. Jinan Jiefang Road Securities Branch (恒泰證券股份有限公司濟南解放路證券營業部)	4/F, Block A East, Guohua Building, 30-1 Jiefang Road, Jinan, Shandong (山東省濟南市解放路30-1國華大廈A座東四層)	2006.11.29	Bai Rong (白榮)	0531-81853932
34	Hengtai Securities Co., Ltd. Shenzhen Meilin Road Securities Branch (恒泰證券股份有限公司深圳梅林路證券營業部)	No. 115 and 217, Building 29, Block 5, Meilin Yicun, 148-12 Meilin Road, Futian District, Shenzhen (深圳市福田區梅林路148-12號梅林一村5區29棟115、217號)	1996.11.04	Liu Jianjun (劉建軍)	0755-83534805

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35	Hengtai Securities Co., Ltd. Wuhai Wuda District Bayinsai Street Securities Branch (恒泰証券股份有限公司烏海烏達區巴音賽街證券營業部)	1/F Shop, No. 9, Jiefang South Road North to South, Binyuan Hotel, Wuda District, Wuhai, Inner Mongolia (內蒙古自治區烏海市烏達區賓源大酒店解放南路從北向南9號一層商鋪)	2011.10.24	Liu Qiuli (劉秋利)	0473-3019333
36	Hengtai Securities Co., Ltd. Erdos Dalad Banner Securities Branch (恒泰証券股份有限公司鄂爾多斯達拉特旗證券營業部)	Zonghe Building, Xinni Street South Xinhua Road East, Shulinzhao Town, Dalad Banner, Erdos, Inner Mongolia (內蒙古自治區鄂爾多斯市達拉特旗樹林召鎮錫尼街南新華路東綜合樓)	2011.10.24	Li Chunping (李春平)	0477-5217087
37	Hengtai Securities Co., Ltd. Chifeng Ningcheng Daning Road Securities Branch (恒泰証券股份有限公司赤峰寧城大寧路證券營業部)	Huaxin Community, Daning Road, Tianyi Town, Ningcheng County, Chifeng, Inner Mongolia (內蒙古自治區赤峰市寧城縣天義鎮大寧路華鑫小區)	2012.3.16	Chen Shichao (陳世超)	0476-4255161
38	Hengtai Securities Co., Ltd. Baotou Suraki Daxi Street Securities Branch (恒泰証券股份有限公司包頭薩拉齊大西街證券營業部)	(Opposite the Suraki No. 1 Middle School) Daxi Street, Suraki Town, Baotou, Inner Mongolia (內蒙古自治區包頭市薩拉齊鎮大西街(薩拉齊一中對面))	2012.3.16	Wang Xiangyang (王向陽)	0472-8921256
39	Hengtai Securities Co., Ltd. Chaozhou Chengxinxi Road Securities Branch (恒泰証券股份有限公司潮州城新西路證券營業部)	Shop 11 and 12, No. 1 Haiji, Chengxinxi Road, Xiangqiao District, Chaozhou, Guangdong (廣東省潮州市湘橋區城新西路海逸一號11、12商鋪)	2014.1.13	Ye Xi (葉璽)	0768-2520001
40	Hengtai Securities Co., Ltd. Beijing Finance Street Securities Branch (恒泰証券股份有限公司北京金融大街證券營業部)	Room 507, 5/F, Block C, No. 33 Finance Street, Xicheng District, Beijing (北京市西城區金融大街33號C座5層507)	2014.1.13	Gao Jia (高佳)	010-84128699
41	Hengtai Securities Co., Ltd. Beijing Xisihuan North Road Securities Branch (恒泰証券股份有限公司北京西四環北路證券營業部)	Room 109, Block 1, No. 160 Xisihuan North Road, Haidian District, Beijing (北京市海澱區西四環北路160號1層一區109)	2014.1.13	Wu Lin (吳琳)	010-57851508
42	Hengtai Securities Co., Ltd. Tongliao Agula Avenue Securities Branch (恒泰証券股份有限公司通遼阿古拉大街證券營業部)	1/F, Chuangye Building, Economic and Technological Development Zone, Tongliao, Inner Mongolia (內蒙古自治區通遼經濟技術開發區創業大廈一樓)	2014.1.13	Sun Xu (孫旭)	0475-8958771

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43	Hengtai Securities Co., Ltd. Changchun Beijing Avenue Securities Branch (恒泰証券股份有限公司長春北京大街證券營業部)	No. 1223 Beijing Avenue, Kuancheng District, Changchun, Jilin (吉林省長春市寬城區北京大街1223號)	1993.4.23	Zhu Qingguo (朱慶國)	0431-82703518
44	Hengtai Securities Co., Ltd. Changchun Gongnong Road Securities Branch (恒泰証券股份有限公司長春工農大路證券營業部)	22/F and 23/F, No. 1055 Gongnong Road, Changchun, Jilin (吉林省長春市工農大路1055號22/23層)	1993.4.24	Liu Guangsen (劉廣森)	0431-85647591
45	Hengtai Securities Co., Ltd. Changchun Dongfeng Avenue Securities Branch (恒泰証券股份有限公司長春東風大街證券營業部)	Yiqi Finance Building, No. 711 Dongfeng Avenue, Automotive Industry Development Zone, Changchun, Jilin (吉林省長春市汽車產業開發區東風大街711號一汽財務大廈)	1990.5.12	Dong Xilin (董錫森)	0431-87626400
46	Hengtai Securities Co., Ltd. Changchun Dongsheng Avenue Securities Branch (恒泰証券股份有限公司長春東盛大街證券營業部)	No. 2348 Dongsheng Avenue, Erdao District, Changchun, Jilin (吉林省長春市二道區東盛大街2348號)	1990.5.12	Zhao Chunrui (趙春瑞)	0431-84947885
47	Hengtai Securities Co., Ltd. Changchun Zhujiang Road Securities Branch (恒泰証券股份有限公司長春珠江路證券營業部)	No. 439 Zhujiang Road, Kuancheng District, Changchun, Jilin (吉林省長春市寬城區珠江路439號)	2002.2.27	Cui Chunyu (崔春雨)	0431-82982159
48	Hengtai Securities Co., Ltd. Changchun Renmin Avenue Securities Branch (恒泰証券股份有限公司長春人民大街證券營業部)	3/F, Jiali Center, No. 2076 Renmin Avenue, Nanguan District, Changchun, Jilin (吉林省長春市南關區人民大街2076號嘉裏中心三樓)	1992.11.27	Zhang Lifeng (張利峰)	0431-88497775
49	Hengtai Securities Co., Ltd. Jingyang Road Securities Branch (恒泰証券股份有限公司長春景陽大路證券營業部)	Building A5, Zhonghai Kaixuanmen, Qimao Community East Jingyang Road South, Lvyuan District, Changchun, Jilin (吉林省長春市綠園區汽貿小區以東景陽大路以南中海凱旋門A5幢)	2000.9.18	Liu Hong (劉宏)	0431-87989955
50	Hengtai Securities Co., Ltd. Jilin Zhongxing Street Securities Branch (恒泰証券股份有限公司吉林中興街證券營業部)	No. 105-1 Zhongxing Street, Changyi District, Jilin City, Jilin Province (吉林省吉林市昌邑區中興街105-1號)	2002.6.6	Sun Qi (孫琦)	0432-62785999
51	Hengtai Securities Co., Ltd. Shenyang Fengtian Street Securities Branch (恒泰証券股份有限公司瀋陽奉天街證券營業部)	6/F, Hengyun Business Buiding, No. 351 Fengtian Street, Shenhe District, Shenyang, Liaoning (遼寧省瀋陽市沈河區奉天街351號恒運商務大廈6樓)	2004.9.10	Heng Jianwei (衡建偉)	024-31301008

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52	Hengtai Securities Co., Ltd. Baishan Hunjiang Street Securities Branch (恒泰証券股份有限公司白山渾江大街證券營業部)	Justice Bureau, Xinjian Street, Badaojiang District, Baishan, Jilin (吉林省白山市八道江區新建街司法局門市)	2010.3.17	Li Jie (李杰)	0439-3299456
53	Hengtai Securities Co., Ltd. Jilin Panshi Dongning Street Securities Branch (恒泰証券股份有限公司吉林磐石東寧街證券營業部)	Room 6 and 7, No. 11 Longchang Shangcheng, Dongning Street, Panshi, Jilin (吉林省磐石市東寧街隆昌上城11號樓6、7號門市)	2010.2.9	Bie Wei (別畏)	0432-65043666
54	Hengtai Securities Co., Ltd. Tonghua Dongchang Road Securities Branch (恒泰証券股份有限公司通化東昌路證券營業部)	No. 665 Dongchang Road, Dongchang District, Tonghua, Jilin (吉林省通化市東昌區東昌路665號)	2010.8.5	Jing Yafu (經亞夫)	0435-3707171
55	Hengtai Securities Co., Ltd. Baicheng Changqing South Street Securities Branch (恒泰証券股份有限公司白城長慶南街證券營業部)	Room 2-1, No. 8 Building, Changqing South Street, Baicheng, Jilin (吉林省白城市長慶南街8號樓2-1門市)	2010.10.25	Xu Ke (徐克)	0436-3202666
56	Hengtai Securities Co., Ltd. Liaoyuan Fengshou Road Securities Branch (恒泰証券股份有限公司遼源豐壽路證券營業部)	No. 1 Fengshou Road, Xi'an District, Liaoyuan, Jilin (吉林省遼源市西安區豐壽路1號)	2010.10.28	Feng Dong (豐冬)	0437-6678008
57	Hengtai Securities Co., Ltd. Qianguo Hasaer Road Securities Branch (恒泰証券股份有限公司前郭哈薩爾路證券營業部)	1/F, Jinjiang Inn, No. 288 Hasaer Road, Qianguo County, Jilin (吉林省松原市前郭縣哈薩爾路288號錦江之星賓館一樓)	2011.3.16	Xu Jia (徐嘉)	0438-6620000
58	Hengtai Securities Co., Ltd. Yanji, Juzi Street Securities Branch (恒泰証券股份有限公司延吉局子街證券營業部)	(3/F Rongcheng international) No. 101, Juzi Street, Yanji, Jilin (吉林省延吉市局子街101號(融城國際大廈三樓))	2011.10.11	Deng Min (鄧敏)	0433-6020777
59	Hengtai Securities Co., Ltd. Shenzhen Shennan Avenue Securities Branch (恒泰証券股份有限公司深圳深南大道證券營業部)	Room 701, Yangguang Gao'erfu Building, Futian District, Shenzhen (深圳市福田區深南大道陽光高爾夫大廈701室)	2015.1.12	Shi Buren (施布仁)	0755-82828137
60	Hengtai Securities Co., Ltd. Zhongshan Zhongshan Forth Road Securities Branch (恒泰証券股份有限公司中山中山四路證券營業部)	Block 20, Building 81/82/83/85/, Shunjing Garden, East District, Zhongshan, Guangdong (廣東省中山市東區順景花園81/82/83/85/幢20卡)	2015.1.22	Li Jianhua (李建華)	0760-88833653

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61	Hengtai Securities Co., Ltd. Guangzhou Zhujiang West Road Securities Branch (恒泰証券股份有限公司廣州珠江西路證券營業部)	Self Unit 12, Room 3801, No. 17 Zhujiang West Road, Tianhe District, Guangzhou, Guangdong (廣東省廣州市天河區珠江西路17號3801房自編12單元)	2015.3.20	Lu Liang (盧亮)	020-38206520
62	Hengtai Securities Co., Ltd. Liaocheng Huangshan South Road Securities Branch (恒泰証券股份有限公司聊城黃山南路證券營業部)	No. 310, Unit A, Kaixuan Building, 1 Huangshan South Road, Economic and Technological Development zone, Liaocheng, Shandong (山東省聊城市經濟技術開發區黃山南路1號凱旋大廈A單元310號)	2015.1.26	Wang Peng (汪鵬)	0635-2110887
63	Hengtai Securities Co., Ltd. Qingdao Nanjing Road Securities Branch (恒泰証券股份有限公司青島南京路證券營業部)	No. 33 Nanjing Road, Shinan District, Qingdao, Shandong (山東省青島市市南區南京路33號)	2015.2.3	Pang Jian (龐健)	0532-85710711
64	Hengtai Securities Co., Ltd. Weifang Fushou East Street Securities Branch (恒泰証券股份有限公司濰坊福壽東街證券營業部)	Room 601, No. 1 Jinnuo Building, No. 5603 Fushou East Street, Kuiwen District, Weifang, Shandong (山東省濰坊市奎文區福壽東街5603號1號樓金諾大廈601室)	2015.1.29	Zhao Wenyuan (趙文苑)	0536-8986553
65	Hengtai Securities Co., Ltd. Shanghai Hongqiao Road Securities Branch (恒泰証券股份有限公司上海虹橋路證券營業部)	No. 29, Lane 1168, Hongqiao Road, Shanghai (上海市長寧區虹橋路1168弄29號)	2015.3.6	Zhou Daming (周大明)	021-62030568
66	Hengtai Securities Co., Ltd. Beijing Jianguo Road Securities Branch (恒泰証券股份有限公司北京建國路證券營業部)	No. 117 and 118, Building 19, 93 Jianguo Road, Chaoyang District, Beijing (北京市朝陽區建國路93號院19號樓117、118號)	2015.6.18	Liu Teng (劉騰)	010-59603207
67	Hengtai Securities Co., Ltd. Shanghai Longhua East Road Securities Branch (恒泰証券股份有限公司上海龍華東路證券營業部)	Room 807, No. 858 Longhua East Road, Huangpu District, Shanghai (上海市黃浦區龍華東路858號807室)	2015.3.18	Yang Shifang (楊世芳)	021-63268682
68	Hengtai Securities Co., Ltd. Dalian Jinzhou Beishan Road Securities Branch (恒泰証券股份有限公司大連金州北山路證券營業部)	No. 1388-26 Beishan Road, Guangming Avenue, Jinzhou District, Dalian, Liaoning (遼寧省大連市金州區光明街道北山路1388-26號)	2015.6.26	Zhang Lei (張磊)	0411-68837268
69	Hengtai Securities Co., Ltd. Qingdao Alishan Road Securities Branch (恒泰証券股份有限公司青島阿里山路證券營業部)	No. 118, Alishan Road, Huangdao District, Qingdao, Shandong (山東省青島市黃島區阿里山路118號)	2015.6.30	Zhang Tongliang (張同亮)	0532-86108609

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70	Hengtai Securities Co., Ltd. Changzhou Longjin Road Securities Branch (恒泰证券股份有限公司常州龍錦路證券營業部)	No. 7-105, Fuxi Garden Shop, Xinbei District, Changzhou, Jiangsu (江蘇省常州市新北區府西花園商鋪7-105號)	2015.7.2	Chen Le (陳樂)	0519-85551099
71	Hengtai Securities Co., Ltd. Beijing Suzhou Street Securities Branch (恒泰证券股份有限公司北京蘇州街證券營業部)	Building 11-16, No. 29, Suzhou Street, Haidian District, Beijing (北京市海澱區蘇州街29號11-16幢)	2015.7.1	Zhao Yajing (趙亞晶)	010-61943928
72	Hengtai Securities Co., Ltd. Chongqing Taishan Avenue Securities Branch (恒泰证券股份有限公司重慶泰山大道證券營業部)	13-3, 13-4, 13-5, Building 2, No. 62 Taishan Avenue East, Beibei District, Chongqing (重慶市北碚新區泰山大道東段62號2幢13-3、13-4、13-5)	2015.7.8	Shen Jie (申傑)	023-63109968
73	Hengtai Securities Co., Ltd. Wuhan Xibei Road Securities Branch (恒泰证券股份有限公司武漢西北湖路證券營業部)	No. 99 Beihu Road, Jiangnan District, Wuhan, Hubei (湖北省武漢市江漢區北湖小路99號)	2015.7.14	Fan Chunhua (范春華)	027-85898177
74	Hengtai Securities Co., Ltd. Shanghai Dujuan Road Securities Branch (恒泰证券股份有限公司上海杜鵑路證券營業部)	Underground 1/F and 1-2/F, No. 195 Dujuan Road, Pudong District, Shanghai (上海市浦東新區杜鵑路195號地下1、1-2層)	2015.7.20	Wu Xiao (吳瀟)	021-68822829
75	Hengtai Securities Co., Ltd. Shanghai Dongfang Road Securities Branch (恒泰证券股份有限公司上海東方路證券營業部)	Shop 18, Lobby 1/F, Unit D2, 15/F, No. 778 Dongfang Road, Shanghai pilot free trade zone, Shanghai (上海市自由貿易試驗區東方路778號15樓D2單元、1樓大堂18號商鋪)	2015.7.21	Chen Shaofeng (陳少峰)	021-31089988
76	Hengtai Securities Co., Ltd. Shanghai Lujiazui Securities Branch (恒泰证券股份有限公司上海陸家嘴證券營業部)	Room 31026, 31/F, No. 66 Huanyuan Shiqiao Road, Shanghai pilot free trade zone, Shanghai (上海市自由貿易試驗區花園石橋路66號31層31026室)	2015.8.5	Huang Hui (黃輝)	021-60458136
77	Hengtai Securities Co., Ltd. Beijing Shangdi Third Street Securities Branch (恒泰证券股份有限公司北京上地三街證券營業部)	Room 102, Door 3, 1/F, Building 3, Shangdi Information Industry Base Third Street, Haidian District, Beijing (北京市海澱區上地信息產業基地三街3號樓1層3門102)	2015.7.31	Cheng Zhanhua (程占華)	010-82890136
78	Hengtai Securities Co., Ltd. Dongguan Dalang Meijing Middle Road Securities Branch (恒泰证券股份有限公司東莞大朗美景中路證券營業部)	Room 1101, 1102 and 1103, Finance Building, No. 568 Meijing Middle Road, Changtang Community, Dalang Town, Dongguan, Guangdong (廣東省東莞市大朗鎮長塘社區美景中路568號金融大廈1101、1102、1103號)	2015.8.12	Ruan Hai (阮海)	0769-81198561

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79	Hengtai Securities Co., Ltd. Shanghai Haining Road Securities Branch (恒泰证券股份有限公司上海海寧路證券營業部)	Room 1905, No. 469 Wusong Road, Hongkou District, Shanghai (上海市虹口區吳淞路469號1905室)	2015.8.12	Pan Xiaoli (潘曉麗)	021-66275131
80	Hengtai Securities Co., Ltd. Foshan Foping Road Securities Branch (恒泰证券股份有限公司佛山佛平路證券營業部)	Shop 2/F, Yujing City Garden Mingqxuan, No. 6 Guichengfoping Third Road, Nanhai District, Foshan, Guangdong (廣東省佛山市南海區桂城佛平三路6號禦景城市花園趣鳴軒第二層商舖)	2015.8.24	Li Haibiao (黎海標)	0757-86288115
81	Hengtai Securities Co., Ltd. Beijing-Shenzhen Yitian Road Zhuoyue Times Square Securities Branch (恒泰证券股份有限公司北京深圳益田路卓越時代廣場證券營業部)	5007B-5008, 50/F, Zhuoyue Times Square, No. 4068 Yitian Road, Futian Street, Futian District, Shenzhen (深圳市福田區福田街道益田路4068號卓越時廣場50樓5007B-5008)	2015.8.27	Wu Rongrong (伍榮榮)	0755-82801189
82	Hengtai Securities Co., Ltd. Hangzhou Jianghong Road Securities Branch (恒泰证券股份有限公司杭州江虹路證券營業部)	Room 1008, Building 1, Xinyada International Creative center, No. 1750 Jianghong Road, Binjiang District, Hangzhou, Zhejiang (浙江省杭州市濱江區江虹路1750號信雅達國際創意中心1幢1008室)	2015.8.25	Zheng Yi (鄭逸)	0571-86965997
83	Hengtai Securities Co., Ltd. Hangzhou Tiancheng Road Securities Branch (恒泰证券股份有限公司杭州天城路證券營業部)	Room 501-504, 5/F, Building 1(Wanshili technology building), No. 68 Tiancheng Road, Jianggan District, Hangzhou, Zhejiang (浙江省杭州市江幹區天城路68號(萬事利科技大廈)1幢5樓501-504室)	2015.8.26	Wang Weifang (王偉芳)	0571-86538801
84	Hengtai Securities Co., Ltd. Wenzhou Gu'an Road Securities Branch (恒泰证券股份有限公司溫州古岸路證券營業部)	Room 001 and 004, 3/F, Building 1, Yixiang Business Building, Ouhai District, Wenzhou, Zhejiang (浙江省溫州市甌海區傳象商廈第1幢3層001、004)	2015.9.6	Chen Kai (陳愷)	0577-88709188
85	Hengtai Securities Co., Ltd. Shanghai Yanan West Road Securities Branch (恒泰证券股份有限公司上海延安西路證券營業部)	Room 2607, No.1116 Yanan West Road, Changning District Shanghai (上海市長寧區遼安西路1116號2607室)	2015.9.6	Xu Enlei (徐恩雷)	021-62379683
86	Hengtai Securities Co., Ltd. Shanghai Zunyi Road Securities Branch (恒泰证券股份有限公司上海遵義路證券營業部)	Room 1210 and 1211, No. 100 Zunyi Road, Changning District Shanghai (上海市長寧區遵義路100號1210、1211室)	2015.9.10	Fu Duanyang (付端陽)	021-62785699
87	Hengtai Securities Co., Ltd. Taizhou Shifu Avenue Securities Branch (恒泰证券股份有限公司台州市市府大道證券營業部)	No. 387 and 389 Shifu Avenue, Taizhou, Zhejiang (浙江省台州市市府大道387、389號)	2015.9.16	Wang Sha'ou (王沙鷗)	0576-89039186

Appendix

S/N	Name	Office address	Date of incorporation	Person in charge	Contact No.
88	Hengtai Securities Co., Ltd. Beijing, Beixinzhuang Road Securities Branch (恒泰证券股份有限公司北京北辛莊路證券營業部)	Room 308, Block A, Beiruanshuangxin Kechuangyuan, Beixinzhuang Road, Sijiqing Town, Haidian District, Beijing (北京市海澱區四季青鎮北辛莊路北軟雙新科創園A座308房間)	2015.9.14	Zhang Jia (張佳)	010-62596752
89	Hengtai Securities Co., Ltd. Guangzhou Tiyu West Road Securities Branch (恒泰证券股份有限公司廣州體育西路證券營業部)	Room 1205, No. 103 Tiyu West Road, Tianhe District, Guangzhou, Guangdong (廣東省廣州市天河區體育西路103號1205房)	2015.9.18	Zeng Jianyuan (曾建元)	020-38479013
90	Hengtai Securities Co., Ltd. Shanghai Xujiahui Road Securities Branch (恒泰证券股份有限公司上海徐家匯路證券營業部)	Room 19C, No. 555 Xujiahui Road, Huangpu District, Shanghai (上海市黃浦區徐家匯路555號19C室)	2015.9.21	Li Jingjing (李晶晶)	021-63083060
91	Hengtai Securities Co., Ltd. Shijiazhuang Huaian Road Securities Branch (恒泰证券股份有限公司石家莊槐安路證券營業部)	No. 1805, Ximei Wuzhou Building, Yaqing Street, Yuhua District, Shijiazhuang, Hebei (河北省石家莊市裕華區雅清街西美五洲大廈1805號)	2015.10.9	Lv Haijun (呂海軍)	0311-66500779
92	Hengtai Securities Co., Ltd. Zhuhai Jiuzhou Avenue Fuhuali Securities Branch (恒泰证券股份有限公司珠海九洲大道富華里證券營業部)	No. 01, 7/F, Fuhuali Center Office, 2021 Jiuzhou Avenue West, Zhuhai, Guangdong (廣東省珠海市九洲大道西2021號富華里中心寫字樓7層01號)	2015.9.30	Zheng Yue (鄭越)	0756-8626550
93	Hengtai Securities Co., Ltd. Yantai Yingchun Avenue Securities Branch (恒泰证券股份有限公司煙臺迎春大街證券營業部)	Room 316, Tianhe Building Annex, 163 Yingchun Avenue, Laishan District, Yantai, Shandong (山東省煙臺市萊山區迎春大街163號天和大廈附樓316室)	2015.9.23	Xing Xiaoliang (邢曉亮)	0535-2106601
94	Hengtai Securities Co., Ltd. Shenzhen Longcheng Street Securities Branch (恒泰证券股份有限公司深圳龍城大道證券營業部)	Unit 1208, Zhengzhong Times Building, No. 89 Longcheng Avenue, Longcheng Street, Shenzhen (深圳市龍崗區龍城街道龍城大道89號正中時代大廈1208單元)	2015.10.9	Long Xiaoling (龍小玲)	0755-89452231
95	Hengtai Securities Co., Ltd. Shenzhen Xiangmihu Road Securities Branch (恒泰证券股份有限公司深圳香蜜湖路證券營業部)	19, H (Block B), Chegongmiao Lvjing Square, No. 6009 Shennan Central Road, Shatou Street Futian District, Shenzhen (深圳市福田区沙頭街道深南中路6009號車公廟綠景廣場(B座)19)	2015.10.9	Shen Jing (沈靜)	0755-82532619
96	Hengtai Securities Co., Ltd. Jiaxing Huanyuan Road Securities Branch (恒泰证券股份有限公司嘉興花園路證券營業部)	Room 210, No. 892 Huanyuan Road, Jiaxing, Zhejiang (浙江省嘉興市花園路892號210室)	2015.10.13	Wang Shengao (王沈杲)	0573-83901338

Appendix

S/N	Name	Office address	Date of incorporation	Person in charge	Contact No.
97	Hengtai Securities Co., Ltd. Taiyuan Pingyang Road Securities Branch (恒泰証券股份有限公司太原平陽路證券營業部)	Shop 1001-1003, 3/F, 14#, No. 65, Pingyang Road, Xiaodian District, Taiyuan, Shanxi (山西省太原市小店區平陽路65號14#三層1001-1003號商舖)	2015.10.13	Li Dawei (李大偉)	0351-2793098
98	Hengtai Securities Co., Ltd. 恒Shanghai Huanyuan Road Securities Branch (泰証券股份有限公司上海花園路證券營業部)	Room 1717, No. 12 Huanyuan Road, Hongkou District, Shanghai (上海市虹口區花園路16號1717室)	2015.10.13	Mei Xiaowai (梅曉崴)	021-66081821
99	Hengtai Securities Co., Ltd. Shanghai Longteng Avenue Securities Branch (恒泰証券股份有限公司上海龍騰大道證券營業部)	Room 101, No. 32, Lane 128 Longrui Road, 1/F, No. 469 Longteng Avenue, Xuhui District, Shanghai (上海市徐匯區龍騰大道469號一層、龍瑞路128弄32號101室)	2015.10.19	Huang Dan (黃丹)	021-64321216
100	Hengtai Securities Co., Ltd. Shanghai Qihe Road Securities Branch (恒泰証券股份有限公司上海齊河路證券營業部)	Block B, 1/F, 251 Qihe Road, Pudong District, Shanghai (上海市浦東新區齊河路251號一層B座)	2015.11.3	Chen Jianguo (陳建功)	021-50308398
101	Hengtai Securities Co., Ltd. Chaohui Road Securities Branch (恒泰証券股份有限公司杭州朝暉路證券營業部)	Room, Wulin Century Business Center, Xiacheng District, Hangzhou, Zhejiang (浙江省杭州市下城區武林時代商務中心1605室)	2015.11.3	Wang Bao (王寶)	0571-86979032
102	Hengtai Securities Co., Ltd. Nanning Minzu Avenue Securities Branch (恒泰証券股份有限公司南寧民族大道證券營業部)	Room 2207 and 2208, 22/F, Bogongguoji, No.127 Minzu Avenue, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region (廣西壯族自治區南寧市青秀區民族大道127號鉞宮國際22樓2207、2208號房)	2015.10.27	Qu Chi (區馳)	0771-5501369
103	Hengtai Securities Co., Ltd. Liuzhou Tianshan Road Securities Branch (恒泰証券股份有限公司柳州天山路證券營業部)	2-2-9 Tianshangcheng Community, No. 245 Shuinan Road, Liuzhou, Guangxi Zhuang Autonomous Region (廣西壯族自治區柳州市水南路245號天山上城小區2-2-9號)	2015.10.21	WuXinghua (吳興華)	0772-8807519
104	Hengtai Securities Co., Ltd. Beijing Dongsanhuan North Road Securities Branch (恒泰証券股份有限公司北京東三環北路證券營業部)	06A09, 5/F, No. 2 Dongsanhuan North Road, Chaoyang District (北京市朝陽區東三環北路2號5層06A09)	2015.11.2	Lin Pu (蘭璞)	010-84464188
105	Hengtai Securities Co., Ltd. Rui'an Gongruishan Road Securities Branch (恒泰証券股份有限公司瑞安拱瑞山路證券營業部)	No. 422 and 423 Gongruishan Road Anyang Street, Rui'an, Zhejiang (浙江省瑞安市安陽街道拱瑞山路422、424號)	2015.11.9	Jin Hairu (金海茹)	0577-66889168

Appendix

S/N	Name	Office address	Date of incorporation	Person in charge	Contact No.
106	Hengtai Securities Co., Ltd. Beijing Chaoyang Balizhuang Xili Securities Branch (恒泰證券股份有限公司北京朝陽八裏莊西裏證券營業部)	Room 210, 2/F, No. 99 Xili, Balizhuang, Chaoyang District, Beijing (北京市朝陽區八裏莊西裏99號2層210室)	2015.11.11	Miao Zhenyu (苗振宇)	010-85772321
107	Hengtai Securities Co., Ltd. Wuhan Yanjiang Avenue Securities Branch (恒泰證券股份有限公司武漢沿江大道證券營業部)	No.1 Tianjin Road, Yanjiang Avenue, Jiangnan District, Wuhan, Hubei (湖北省武漢市江岸區沿江大道天津路1號)	2015.11.18	Li Jing (李晶)	027-82300918
108	Hengtai Securities Co., Ltd. Shenzhen Hongli Road Securities Branch (恒泰證券股份有限公司深圳紅荔路證券營業部)	Room 410 Agricultural business center, No. 8133 Hongli Road, Xiangmihu Street, Futian District, Shenzhen (深圳市福田區香蜜湖街道紅荔8133號農科商務中心410室)	2015.11.24	Sun Rui (孫睿)	0755-33015807
109	Hengtai Securities Co., Ltd. ShenYang Yunfeng Street Securities Branch (恒泰證券股份有限公司瀋陽雲峰街證券營業部)	(3 Door) No. 15-1 Yunfeng North Street, Tiexi District, Shenyang, Liaoning (遼寧省瀋陽市鐵西區雲峰北街15-1號(3門))	2015.12.14	Gao Xiufeng (高秀峰)	024-82573588
110	Hengtai Securities Co., Ltd. Gushan Road Securities Branch (恒泰證券股份有限公司上海崑山路證券營業部)	Room A, 1/F, No. 600 Gushan Road, China (Shanghai) pilot free trade zone (中國(上海)自由貿易試驗區崑山路600號一層A室)	2015.12.9	Chen Haiming (陳海明)	02-168781070
111	Hengtai Securities Co., Ltd. Beijing Wanfeng Road Securities Branch (恒泰證券股份有限公司北京萬豐路證券營業部)	Unit A2-13, 2/F, Block A, Wankai Central, No. 316 Wanfeng Road, Fengtai District, Beijing (北京市豐台區萬豐路316號萬開中心A座2層A2-13單元)	2015.12.14	Xue Fenxia (薛粉霞)	010-83369825
112	Hengtai Securities Co., Ltd. Beijing Nanhu South Road Securities Branch (恒泰證券股份有限公司北京南湖南路證券營業部)	Room 102, Building 4, No. 16 Nanhu South Road, Chaoyang District, Beijing (北京市朝陽區南湖南路16號院4號樓102室)	2015.12.12	Zhang Ge (張戈)	010-64738862
113	Hengtai Securities Co., Ltd. Shenzhen Jintian Road Securities Branch (恒泰證券股份有限公司深圳金田路證券營業部)	Room 812 Rongchao Jingmao Building, Jintian Road, Futian District, Shenzhen (深圳市福田區金田路榮超經貿大廈812)	2015.12.16	LiuZhenfu (劉真富)	0755-23914745
114	Hengtai Securities Co., Ltd. Hangzhou Fuchun Road Securities Branch (恒泰證券股份有限公司杭州富春路證券營業部)	Room 1006, Building 3, Qianjiang International Times Square, Jianggan District, Hangzhou, Zhejiang (浙江省杭州市江幹區錢江國際時代廣場3幢1006室)	2015.12.16	Zhuang Bin (莊斌)	0571-87899203

Independent Auditor's Report

To the Shareholders of HENGTOU SECURITIES

(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "恒泰证券股份有限公司" and carrying on business in Hong Kong as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English))

We have audited the consolidated financial statements of HENGTOU SECURITIES ("the Company") and its subsidiaries (together "the Group") set out on pages 157 to 268, which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITY (Continued)

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

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

OPINION

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

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

March 24, 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2015 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2015	2014
Revenue			
Fee and commission income	6	3,244,923	1,106,555
Interest income	7	918,789	341,031
Net investment gains	8	1,440,526	800,523
Total revenue		5,604,238	2,248,109
Other income and gains	9	71,952	21,344
Total revenue and other income		5,676,190	2,269,453
Operating expenses			
Fee and commission expenses	10	(300,496)	(95,971)
Interest expenses	11	(754,749)	(203,299)
Staff costs	12	(1,384,204)	(664,588)
Depreciation and amortization expenses	13	(63,738)	(58,267)
Business tax and surcharges		(277,271)	(91,320)
Other operating expenses	14	(686,278)	(311,860)
Impairment losses	15	(26,650)	(21,966)
Total operating expenses		(3,493,386)	(1,447,271)
Operating profit		2,182,804	822,182
Share of profits of associates		12,466	15,152
Profit before income tax		2,195,270	837,334
Income tax expense	16	(483,824)	(183,229)
Profit for the year		1,711,446	654,105

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2015 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2015	2014
Profit for the year		1,711,446	654,105
Attributable to:			
Ordinary shareholders of the Company		1,700,772	654,105
Non-controlling interests		10,674	–
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
net movement in the investment revaluation reserve		(199,462)	182,861
Share of other comprehensive income of associates		(567)	615
Total other comprehensive income for the year	17	(200,029)	183,476
Total comprehensive income for the year		1,511,417	837,581
Attributable to:			
Ordinary shareholders of the Company		1,499,528	837,581
Non-controlling interests		11,889	–
Basic and diluted earnings per share			
(in Renminbi yuan per share)	20	0.72	0.30

The notes on pages 167 to 268 form part of these financial statements.

Consolidated Statement of Financial Position

As at December 31, 2015 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2015	2014
Non-current assets			
Property and equipment	21	445,455	333,675
Investment properties	22	19,941	20,768
Goodwill	23	43,739	13,135
Intangible assets	24	87,838	53,952
Interest in associates	26	10,000	169,300
Available-for-sale financial assets	27	2,187,322	268,158
Financial assets held under resale agreements	28	119,400	173,130
Refundable deposits	29	875,415	308,694
Deferred tax assets	30	103,819	2,726
Other non-current assets	31	290,886	41,595
Total non-current assets		4,183,815	1,385,133
Current assets			
Margin accounts receivables	32	6,217,332	5,093,571
Other current assets	33	639,762	252,088
Available-for-sale financial assets	27	557,186	1,485,927
Financial assets held under resale agreements	28	164,215	496,325
Financial assets at fair value through profit or loss	34	9,871,588	3,805,977
Cash held on behalf of brokerage clients	35	13,784,064	7,438,648
Clearing settlement funds	36	868,540	414,698
Cash and bank balances	37	2,881,171	1,445,151
Total current assets		34,983,858	20,432,385
Total assets		39,167,673	21,817,518

Consolidated Statement of Financial Position

As at December 31, 2015 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2015	2014
Current liabilities			
Debt instruments issued	39	2,043,460	1,400,000
Placements from other financial institutions	40	565,000	1,635,000
Accounts payable to brokerage clients	41	13,977,558	7,555,457
Employee benefits payable	42	749,435	275,904
Other current liabilities	43	2,487,577	1,167,889
Current tax liabilities		210,457	69,671
Financial assets sold under repurchase agreements	44	6,732,913	2,979,550
Financial liabilities at fair value through profit or loss	45	22,276	52,914
Total current liabilities		26,788,676	15,136,385
Net current assets		8,195,182	5,296,000
Total assets less current liabilities		12,378,997	6,681,133
Non-current liabilities			
Debt instruments issued	39	2,629,093	1,300,000
Deferred revenue		2,472	13,746
Deferred tax liabilities	30	14,400	92,390
Total non-current liabilities		2,645,965	1,406,136
Net assets		9,733,032	5,274,997

Consolidated Statement of Financial Position

As at December 31, 2015 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2015	2014
Equity			
Share capital	46(a)	2,604,567	2,194,707
Share premium	46(b)	1,661,236	813,953
Perpetual capital securities	47	1,500,000	–
Reserves	48	3,765,865	2,266,337
Total equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities		9,531,668	5,274,997
Non-controlling interest		201,364	–
Total Equity		9,733,032	5,274,997

Approved and authorized for issue by the board of directors on March 24, 2016.

Pang Jiemin

Chairman of Board of Directors

Wu Yigang

Vice Chairman of Board of Directors

Wang Haibing

Chief Financial Officer

The notes on pages 167 to 268 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2015 (Expressed in thousands of Renminbi, unless otherwise stated)

Attributable to ordinary shareholders of the Company and holders of perpetual capital securities													
		Share capital		Perpetual capital securities	Surplus reserve	General risk reserve	Transaction risk reserve	Investment revaluation reserve	Share of other comprehensive income of associates	Retained earnings	Total	Non-controlling interests	Total equity
Note	Note 46(a)	Note 46(b)	Note 47	Note 48(a)	Note 48(b)	Note 48(c)	Note 48(d)						
As at January 1, 2015	2,194,707	813,953	-	243,383	345,687	333,481	255,001	567	1,088,218	5,274,997	-	5,274,997	
Change in equity for 2015													
Profit for the year	-	-	-	-	-	-	-	-	1,700,772	1,700,772	10,674	1,711,446	
Other comprehensive income	-	-	-	-	-	-	(200,677)	(567)	-	(201,244)	1,215	(200,029)	
Total comprehensive income	-	-	-	-	-	-	(200,677)	(567)	1,700,772	1,499,528	11,889	1,511,417	
Issuance of H shares	409,860	850,637	-	-	-	-	-	-	-	1,260,497	-	1,260,497	
Issuance of perpetual capital securities	-	-	1,500,000	-	-	-	-	-	-	1,500,000	-	1,500,000	
Business combinations	58	-	-	-	-	-	-	-	-	-	189,475	189,475	
Appropriation to surplus reserve	-	-	-	182,429	-	-	-	-	-	(182,429)	-	-	
Appropriation to general risk reserve	-	-	-	-	191,339	-	-	-	-	(191,339)	-	-	
Appropriation to transaction risk reserve	-	-	-	-	-	184,772	-	-	-	(184,772)	-	-	
Others	-	(3,354)	-	-	-	-	-	-	-	(3,354)	-	(3,354)	
As at December 31, 2015	2,604,567	1,661,236	1,500,000	425,812	537,026	518,253	54,324	-	2,230,450	9,531,668	201,364	9,733,032	

Consolidated Statement of Changes in Equity

For the year ended December 31, 2014 (Expressed in thousands of Renminbi, unless otherwise stated)

Attributable to ordinary shareholders of the Company and holders of perpetual capital securities									
	Share capital	Share premium	Surplus reserve	General risk reserve	Transaction risk reserve	Investment revaluation reserve	Share of other comprehensive income of associates	Retained earnings	Total equity
Note	Note46(a)	Note46(b)	Note48(a)	Note48(b)	Note48(c)	Note48(d)			
As at January 1, 2014	2,194,707	813,953	188,283	290,458	278,252	72,140	(48)	819,142	4,656,887
Change in equity for 2014									
Profit for the year	-	-	-	-	-	-	-	654,105	654,105
Other comprehensive income	-	-	-	-	-	182,861	615	-	183,476
Total comprehensive income	-	-	-	-	-	182,861	615	654,105	837,581
Appropriation to surplus reserve	-	-	55,100	-	-	-	-	(55,100)	-
Appropriation to general risk reserve	-	-	-	55,229	-	-	-	(55,229)	-
Appropriation to transaction risk reserve	-	-	-	-	55,229	-	-	(55,229)	-
Dividends distributed during the year	48(e)	-	-	-	-	-	-	(219,471)	(219,471)
As at December 31, 2014	2,194,707	813,953	243,383	345,687	333,481	255,001	567	1,088,218	5,274,997

The notes on pages 167 to 268 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2015 (Expressed in thousands of Renminbi, unless otherwise stated)

	2015	2014
Cash flows from operating activities:		
Profit before income tax	2,195,270	837,334
Adjustments for:		
Interest expense	754,749	203,299
Share of profits of associates	(12,466)	(15,152)
Depreciation and amortization	63,738	58,267
Impairment losses	26,650	21,966
Losses on disposal of property and equipment and intangible assets	195	94
Foreign exchange gains	(33,919)	(73)
Net realised gains from disposal of available-for-sale financial assets	(438,614)	(99,402)
Dividends income and interest income from available-for-sale financial assets	(44,975)	(56,458)
Change in fair value of financial instruments at fair value through profit or loss	(3,680)	(338,379)
Expensed transaction cost for issuance of H Share	15,822	-
	2,522,770	611,496
Changes in operating assets:		
Increase in refundable deposits	(556,521)	(182,342)
Increase in margin accounts receivable	(1,132,292)	(3,848,228)
Increase in receivables and prepayments	(327,134)	(120,227)
Decrease/(increase) in financial assets held under resale agreements	236,339	(468,400)
Increase in financial assets at fair value through profit or loss	(6,060,630)	(1,905,532)
Increase in cash on behalf of brokerage clients	(6,345,416)	(3,652,469)
Increase in restricted bank deposits	(11,468)	-

Consolidated Cash Flow Statement

For the year ended December 31, 2015 (Expressed in thousands of Renminbi, unless otherwise stated)

	2015	2014
Cash flows from operating activities:		
Changes in operating liabilities:		
Increase in accounts payable to brokerage clients	6,422,101	3,832,825
Increase in employee benefits payable	451,412	233,339
Increase in other payables and accruals	1,198,115	1,068,663
Increase in financial assets sold under repurchase agreements	3,753,363	2,287,586
(Decrease)/increase in financial liabilities at fair value through profit or loss	(31,939)	54,074
(Decrease)/increase in placements from other financial institutions	(1,070,000)	955,000
<hr style="border-top: 1px dashed black;"/>		
Cash used in operating activities	(951,300)	(1,134,215)
Income taxes paid	(459,239)	(88,491)
Interest paid for operating activities	(531,324)	(149,142)
<hr style="border-top: 1px solid black;"/>		
Net cash used in operating activities	(1,941,863)	(1,371,848)
<hr style="border-top: 1px dashed black;"/>		
Cash flows from investing activities:		
Proceeds from disposal of property and equipment, investment property, intangible assets and other non-current assets	8,522	7,927
Dividend income and interest income received from available-for-sale financial assets	64,717	59,641
Proceeds on disposal of available-for-sale financial assets	1,956,550	750,071
Purchases of property and equipment, investment property, intangible assets and other non-current assets	(194,517)	(57,524)
Purchases of associates	(10,000)	-
Purchases of available-for-sale financial assets	(2,719,718)	(628,483)
Other net cash flow from investing activities	(151,865)	(98,000)
<hr style="border-top: 1px solid black;"/>		
Net cash (used)/generated from investing activities	(1,046,311)	33,632
<hr style="border-top: 1px dashed black;"/>		

Consolidated Cash Flow Statement

For the year ended December 31, 2015 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2015	2014
Cash flows from financing activities:			
Proceeds from issuance of H shares		1,260,497	–
Proceeds from issuance of debt instruments		5,395,250	4,100,000
Proceeds from issuance of perpetual capital securities		1,500,000	–
Repayment of debt instruments		(3,500,000)	(1,400,000)
Interest paid for financing activities		(132,964)	(17,016)
Dividends paid		–	(219,471)
Expensed transaction cost paid on issuance of H shares		(14,463)	–
Net cash generated from financing activities		4,508,320	2,463,513
Effect of foreign exchange rate changes		33,919	73
Net increase in cash and cash equivalents		1,554,065	1,125,370
Cash and cash equivalents as at January 1		1,848,149	722,779
Cash and cash equivalents of subsidiary acquired under business combination on acquisition date		167,212	–
Cash and cash equivalents as at December 31	38	3,569,426	1,848,149

The notes on pages 167 to 268 form part of these financial statements.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

1 GENERAL INFORMATION

The Company was set up in Inner Mongolia Autonomous Region by Inner Mongolia Branch of People's Bank of China ("PBOC") in 1988. The Company has restructured into a joint stock company with limited liability pursuant to the approvals by the China Securities Regulatory Commission ("CSRC") in 2008. The Company has obtained securities institution license No. Z20815000 and business licence No. 150000000001019. The registered address of the Company is 14-18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region. As at December 31, 2015, the share capital of the Company is RMB2,604,567,412.

The Group principally engage in securities underwriting and sponsorship, agency sale of securities and financial product, securities and futures brokerage, asset management, investment consultancy, margin financing and securities lending, fund establishing and management, and other business as approved by the CSRC.

The Company listed its H shares on the Main Board of the Stock Exchange of Hong Kong Limited on 15 October 2015.

2 SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued a number of new and revised IFRSs. The Group has adopted all applicable new and revised IFRSs in issue which are relevant to the Group, and early adopted Amendment to IAS27, Equity method in separate financial statements, except for any other new standards or interpretations that are not yet effective for the year ended December 31, 2015. The revised and new accounting standards and interpretations issued but not yet effective and not yet adopted by the Group for the year ended December 31, 2015 are set out in Note 59.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) Basis of preparation

The financial statements 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 2(9).

The consolidated financial statements for the year ended December 31, 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

(3) Functional and presentation currency

The financial statements are presented in Renminbi (RMB), rounded to the nearest thousands, which is the functional currency of the Group, except when otherwise indicated.

(4) Use of estimates and judgments

The preparation of financial statements 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements on the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgments that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 3.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Basis of consolidation

(i) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(ii) 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 statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Basis of consolidation (Continued)

(ii) 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 meets the definition of a financial liability. For each business combination, the group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

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 statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year 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 recognised.

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 recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(9)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(5) (iii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(15)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Basis of consolidation (Continued)

(iii) 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 statements 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 2(6) and 2(15)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised 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.

Unrealised 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 unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised 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.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Basis of consolidation (Continued)

(iii) Associates and joint ventures (Continued)

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 recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(9)).

In the Company's statement of financial position, investments in associates and joint ventures are accounted for under the equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(6) 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 recognised immediately in profit or loss as a gain on a bargain purchase.

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 2(15)).

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.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Foreign currency

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the exchange rates that approximate the spot exchange rate ruling at the transaction dates.

A spot exchange rate is quoted by the People's Bank of China ("PBOC"), the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currency are translated into RMB at the foreign exchange rate ruling at the end of the reporting date and translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RMB using the foreign exchange rates ruling at the dates the fair value was measured. The exchange differences are recognized in profit or loss, except for the exchange differences arising from the translation of non-monetary available-for-sale financial assets which are recognized in other comprehensive income.

Non-monetary items measured in terms of historical cost denominated in a foreign currency are translated using the exchange rate ruling at the transaction dates.

(8) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and which are subject to insignificant risk of change in value having been within three months of maturity at acquisition

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial instruments

(i) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised 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 categorised 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(i) Recognition and measurement of financial assets and financial liabilities (Continued)

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 recognised 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 recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 2(9)(iii)).

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(i) Recognition and measurement of financial assets and financial liabilities (Continued)

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 amortised cost using the effective interest method, less any impairment losses (see Note 2(9)(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.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(i) Recognition and measurement of financial assets and financial liabilities (Continued)

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 recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend (see Note 2(21)(vi)). Foreign exchange gains or losses on available-for-sale financial assets are recognised in profit or loss (see Note 2(7)). Impairment losses are recognised in profit or loss (see Note 2(9)(iii)).

Other fair value changes, other than impairment losses (see Note 2(9)(iii)), are recognised in other comprehensive income and presented in the fair value reserve within equity. When the investment is derecognised, 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 amortised cost using the effective interest method.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(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 year. Where other pricing models are used, inputs are based on market data at the end of the year.

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.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) 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 year 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 reorganisation;
- 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.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(iii) Impairment of financial assets (Continued)

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 recognised 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 recognised, 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 amortised cost at the date of the reversal had the impairment not been recognised.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised 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 recognised 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 measured at fair value, 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 judgement. "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.

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 recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognised in other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(iii) Impairment of financial assets (Continued)

Available-for-sale financial assets (Continued)

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 recognised 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 derecognised 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.

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 recognise 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 derecognised 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 derecognised financial liability and the consideration paid is recognised in profit or loss.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when the Group currently has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising 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 recognised 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 recognised initially at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designed as hedge instrument are recognised in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

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

Derivative embedded in non-derivative host contracts are treated as separate derivative when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in profit or loss.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

(11) Financial assets held under resale agreements 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 recognised as amounts held under resale or sold under repurchase agreements in the statements 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 recognised in the statements of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) 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 (see note 2(15)). 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 labour;
- 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 recognised 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 capitalisation 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.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Property and equipment and construction in progress (Continued)

- (ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the transfers don't change the carrying amount of property transferred and do not change the cost of that property for measurement or disclosure purpose.

- (iii) 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.

- (iv) 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 recognised 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	35 years	3%	2.77%
Motor vehicles	5 years	0%	20%
Electronic equipment	4 years	0%	25%
Furniture and fixtures	4–5 years	0%	20%–25%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(13) 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 initially measured at its cost, which includes expenditure that is directly attributable to the acquisition of items. Subsequent to initial recognition, the investment property is accounted for using the cost model and stated in the financial statement at cost less accumulated depreciation, and impairment losses (see Note 2(15)). 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	35 years	3%	2.77%

(14) Intangible assets

Intangible assets are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment loss (see Note 2(15)). For an intangible asset with finite useful life, its cost less impairment loss is amortised 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
Trading rights	7 to 10 years
Software	5 to 10 years

Both the period and method of amortization are reviewed annually.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. As at December 31, 2015, the Group does not have any intangible assets with indefinite useful lives.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(15) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each year to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment
- investment property
- intangible assets
- equity investment in subsidiaries
- goodwill
- leasehold improvements and long-term deferred expenses

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For 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 (i.e. a cash-generating unit, or CGU). 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.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised 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 recognised.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(16) 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 recognised 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 recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), the Group participated in the social pension schemes for employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amount stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired 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. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either 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 recognised 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.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(17) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income, in which case the relevant amounts of tax are recognised 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 recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax is not recognised 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 year, to recover or settle the carrying amount of its assets and liabilities.

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 realised simultaneously.

A deferred tax asset is recognised 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 utilised. 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 realised.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(17) Income tax (Continued)

(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 judgements about future events. New information may become available that causes the Group to change its judgement 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.

(18) Operating leases

(i) Operating lease charges

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are recognised 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 2(12)(iv). Impairment losses are recognised in accordance with the accounting policies described in Note 2(15). Income derived from operating leases is recognised 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 amortised 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 recognised as income in the accounting period in which they are earned.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(19) Provisions and contingent liabilities

A provision is recognised 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 recognised 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.

(20) 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.

(21) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

- (i) Commission income from brokerage business

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(21) Revenue recognition (Continued)

(ii) Underwriting and sponsor fees

Underwriting and sponsor fees are recognised when the obligation of underwriting or sponsoring 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 recognised on completion of such services.

(iv) Asset management fees

Asset management fees are recognised when the Group is entitled to receive the income under the asset management agreement.

(v) Interest income

Interest income is recognised 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 recognised when the right to receive income is established. Usually this is the ex-dividend date for equity investments.

(vii) Other income

Other income is recognised on an accrual basis.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(22) Expenses recognition

(i) Commission expenses

Commission expenses relate mainly to transactions, which are recognised as expenses when the services are received.

(ii) Interest expenses

Interest expenses are recognised based on the principal outstanding and at the effective interest rate applicable.

(iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the terms of the respective leases. Lease incentives received are recognised as an integral part of the total lease expenses, over the term of the lease.

(iv) Other expenses

Other expenses are recognised on an accrual basis.

(23) Dividend distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the end of the year, are not recognised as a liability at the end of the year but disclosed in the notes to the financial statements separately.

(24) Government grants

Government grants are recognised 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 recognised 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 recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(25) Related parties

A party is considered to be related to the Group if:

- (i) The party is a person or a close member of that person's family and that person,
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or the Group's parent.

- (ii) An entity is related to the Group if any of the following conditions applies:
 - (a) The entity and the Group are members of the same group;
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (c) Both entities are joint ventures of the same third party;
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (f) The entity is controlled or jointly controlled by a person identified in (i);
 - (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - (h) The entity, or any member of the Group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(26) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, 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 statement 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.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(1) 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.

(2) Fair value of financial instruments

As indicated in Note 2(9)(i), financial instruments at fair value through profit or loss and available-for-sale investments are measured at fair value at the end of the year and it is usually possible to determine their fair values within a reasonable range of estimates.

For part of the above financial instruments, quoted market prices are readily available. However, the determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 2 (9)(ii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(3) 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 2 (9)(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 2(9)(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 2(9)(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.

(4) Impairment of receivables

Receivables that are measured at amortised cost are reviewed at each end of year 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 recognised in prior years is reversed.

(5) 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 judgements 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.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(6) Income taxes

Determining income tax provisions involves judgement 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 recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(7) Depreciation and amortization

Property and equipment, investment property, intangible assets, leasehold improvements and long-term deferred expenses are depreciated and amortised 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 the year. 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.

(8) 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.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

4 COMPANY LEVEL STATEMENT OF FINANCIAL POSITION AS AT THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
Non-current assets			
Property and equipment		378,092	280,283
Investment properties		13,227	13,792
Intangible assets		76,794	53,063
Investments in subsidiaries	25	996,583	699,804
Interest in associates	26	–	155,629
Available-for-sale financial assets		1,652,516	224,498
Financial assets held under resale agreements		119,400	173,130
Refundable deposits		699,100	178,890
Deferred tax assets		76,813	–
Other non-current assets		282,502	32,277
Total non-current assets		4,295,027	1,811,366
Current assets			
Margin accounts receivables		6,217,332	5,093,571
Other current assets		1,007,207	268,675
Available-for-sale financial assets		598,730	1,696,231
Financial assets held under resale agreements		119,015	429,625
Financial assets at fair value through profit or loss		6,943,816	2,333,700
Cash held on behalf of brokerage clients		13,409,129	7,127,180
Clearing settlement funds		799,325	354,357
Cash and bank balances		1,841,985	1,000,919
Total current assets		30,936,539	18,304,258
Total assets		35,231,566	20,115,624

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

4 COMPANY LEVEL STATEMENT OF FINANCIAL POSITION AS AT THE YEAR ENDED DECEMBER 31, 2015 (Continued)

	2015	2014
Current liabilities		
Debt instruments issued	2,043,460	1,400,000
Placements from other financial institutions	565,000	1,635,000
Accounts payable to brokerage clients	13,433,936	7,114,977
Employee benefits payable	625,503	273,794
Other current liabilities	345,677	119,235
Current tax liabilities	189,099	68,915
Financial assets sold under repurchase agreements	5,907,014	2,801,550
Financial liabilities at fair value through profit or loss	22,276	52,914
Total current liabilities	23,131,965	13,466,385
Net current assets	7,804,574	4,837,873
Total assets less current liabilities	12,099,601	6,649,239
Non-current liabilities		
Debt instruments issued	2,629,093	1,300,000
Deferred revenue	1,557	13,240
Deferred tax liabilities	-	92,317
Total non-current liabilities	2,630,650	1,405,557
Net assets	9,468,951	5,243,682
Equity		
Share capital	2,604,567	2,194,707
Share premium	1,661,236	813,953
Perpetual capital securities	1,500,000	-
Reserves	3,703,148	2,235,022
Total equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities	9,468,951	5,243,682

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

<u>Tax type</u>	<u>Tax basis</u>	<u>Tax rate</u>
Corporate Income tax	Based on taxable profits	25%
Business tax	Based on taxable revenue	5%
Value added tax ("VAT")	Based on taxable revenue	17%
City maintenance and construction tax	Based on business tax and VAT	5%–7%
Education surcharge and local education surcharge	Based on business tax and VAT	2%–3%

6 FEE AND COMMISSION INCOME

	<u>2015</u>	<u>2014</u>
Fee and commission income arising from:		
– Securities brokerage business	2,329,246	811,862
– Asset management business	553,022	129,495
– Underwriting and sponsoring business	209,757	98,552
– Futures brokerage business	58,425	38,032
– Financial advisory business	81,892	24,566
– Investment advisory business	12,581	4,048
Total	<u>3,244,923</u>	<u>1,106,555</u>

7 INTEREST INCOME

	<u>2015</u>	<u>2014</u>
Interest income arising from:		
– Margin financing and securities lending	548,400	185,444
– Deposit in financial institutions	329,202	142,440
– Financial assets held under resale agreements	40,133	11,348
– Others	1,054	1,799
Total	<u>918,789</u>	<u>341,031</u>

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

8 NET INVESTMENT GAINS

	2015	2014
Net realised gains from disposal of available-for-sale financial assets	438,614	99,402
Dividend income and interest income from available-for-sale financial assets	44,975	56,458
Net gains from financial instruments at fair value through profit or loss	960,678	661,598
Net losses from derivative financial instruments	(3,741)	(16,935)
Total	1,440,526	800,523

9 OTHER INCOME AND GAINS

	2015	2014
Foreign exchange gains	33,919	73
Rental income	4,641	2,397
Government grants	1,764	1,932
Losses from disposal of property and equipment and intangible assets	(195)	(94)
Trading income	–	16,129
Others	31,823	907
Total	71,952	21,344

10 FEE AND COMMISSION EXPENSES

	2015	2014
Expense arising from:		
– Securities brokerage business	297,664	80,395
– Underwriting and sponsorship business	2,832	14,640
– Financial advisory business	–	936
Total	300,496	95,971

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

11 INTEREST EXPENSES

	2015	2014
Interest expenses for:		
– Accounts payable to brokerage clients	47,772	16,436
– Placements from other financial institutions	91,690	66,022
– Financial assets sold under repurchase agreements	258,829	65,528
– Debt instruments issued	223,112	32,036
– Other investors under the asset management schemes	133,346	23,277
Total	754,749	203,299

12 STAFF COSTS

	2015	2014
Short-term employee benefits	1,350,606	638,602
Defined contribution plans	33,598	25,986
Total	1,384,204	664,588

The Group is required to participate in pension schemes in the PRC whereby the Group is required to pay annual contributions for its employees at certain rates of the wages of employees. The Group has no other material obligations for payment of retirement benefits to its employees beyond the annual contributions described above.

13 DEPRECIATION AND AMORTIZATION EXPENSES

	2015	2014
Depreciation of property and equipment	26,858	27,782
Depreciation of investment properties	827	827
Amortization of intangible assets	18,254	11,747
Amortization of leasehold improvements and long-term deferred expenses	17,799	17,911
Total	63,738	58,267

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

14 OTHER OPERATING EXPENSES

	2015	2014
Electronic equipment operating expenses	142,481	31,459
Consulting fees	97,946	49,525
Rental expenses	61,581	43,671
Miscellaneous office expenses	57,503	28,131
Business travel expenses	55,679	26,739
Securities investor protection funds	49,109	15,550
Postal and communication expenses	21,133	12,855
Business entertainment expenses	15,655	12,125
Auditor's remuneration	5,515	2,890
Others	179,676	88,915
Total	686,278	311,860

15 IMPAIRMENT LOSSES

	2015	2014
Provision of margin financing and securities lending	8,531	19,586
Provision of available-for-sale financial assets	16,000	-
(Reversal of)/provision of financial assets held under resale agreements	(1,047)	2,245
Provision of impairment losses against other current assets	3,166	135
Total	26,650	21,966

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

16 INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2015	2014
Current tax	589,445	145,423
Deferred tax		
Origination and reversal of temporary differences	(105,621)	37,806
Total	483,824	183,229

(b) Reconciliation between income tax expense and accounting profit at applicable tax rate:

	2015	2014
Profit before income tax	2,195,270	837,334
Income tax calculated using the PRC statutory tax rate	548,818	209,334
Tax effect of non-deductible expenses	4,957	4,329
Tax effect of non-taxable income	(72,463)	(30,208)
Others	2,512	(226)
Actual income tax expense	483,824	183,229

17 TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR

Components of other comprehensive income, including reclassification adjustments.

	2015	2014
Fair value gains of available-for-sale financial assets	172,665	343,216
Less: transfer to profit or loss upon disposal	(438,614)	(99,401)
Tax effect	66,487	(60,954)
	(199,462)	182,861
Share of other comprehensive income of associates	(567)	615
Total	(200,029)	183,476

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

18 DIRECTORS' AND SUPERVISORS' REMUNERATION

Name	As at December 31, 2015				
	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to social pension schemes	Total emoluments before tax
Executive directors					
Pang Jiemin	–	1,868	7,304	73	9,245
Wu Yigang	–	853	4,058	30	4,941
Non-executive directors					
Ju Jin	–	–	–	–	–
Zhang Tao	50	–	–	–	50
Chen Guanglei	50	–	–	–	50
Sun Chao	50	–	–	–	50
Independent non-executive directors					
Zhou Jianjun ¹	100	–	–	–	100
Peng Diyun	100	–	–	–	100
Lin Xiguang ²	100	–	–	–	100
Wang Fangjun ³	–	–	–	–	–
Supervisors					
Guo Liwen	–	733	4,058	30	4,821
Wang Hui	–	470	1,260	73	1,803
Pei Jingjing	30	–	–	–	30
Total	480	3,924	16,680	206	21,290

¹ At the Group's 3rd Extraordinary General Meeting held on March 9, 2015, Mr. Zhou Jianjun was elected to be independent non-executive director.

² At the Group's 3rd Extraordinary General Meeting held on March 9, 2015, Mr. Lin Xiguang was elected to be independent non-executive director.

³ On April 3, 2015, Mr Wang Fangjun ceased to be independent non-executive director.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

18 DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

As at December 31, 2014					
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to social pension schemes	Total emoluments before tax
Executive directors					
Pang Jiemin	–	1,868	9,202	51	11,121
Wu Yigang	–	853	5,113	29	5,995
Non-executive directors					
Ju Jin	–	–	–	–	–
Zhang Tao	50	–	–	–	50
Chen Guanglei	50	–	–	–	50
Cheng Yu ¹	50	–	–	–	50
Sun Chao ²	–	–	–	–	–
Independent non-executive directors					
Wang Fangjun ³	100	–	–	–	100
Peng Diyun	100	–	–	–	100
Guo Shuqiang ⁴	100	–	–	–	100
Supervisors					
Pei Jingjing ⁵	–	–	–	–	–
Guo Liwen	–	733	5,113	29	5,875
Wang Hui	–	325	808	54	1,187
Liu Haolan ⁵	30	–	–	–	30
Total	480	3,779	20,236	163	24,658

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

18 DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

- ¹ At the Group's 4th Extraordinary General Meeting held on November 24, 2014, Mr. Cheng Yu ceased to be non-executive director.
- ² At the Group's 4th Extraordinary General Meeting held on November 24, 2014, Mr. Sun Chao was elected to be non-executive director.
- ³ At the Group's 4th Extraordinary General Meeting held on November 24, 2014, Mr. Wang Fangjun was elected to be independent non-executive director. And on April 3, 2015, Mr Wang Fangjun ceased to be independent non-executive director.
- ⁴ At the Group's 4th Extraordinary General Meeting held on November 24, 2014, Mr. Guo Shuqiang ceased to be independent director.
- ⁵ At the Group's 4th Extraordinary General Meeting held on November 24, 2014, Mr. Liu Haolan ceased to be supervisor and Ms. Pei Jingjing was elected to be supervisor.

19 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended December 31, 2015, the five individuals with highest emoluments included one director, whose emoluments are disclosed in Note 18. The emoluments for the rest of the five highest paid individual for the year ended December 31, 2015 are as follows:

	2015	2014
Salaries and allowances	4,029	3,990
Discretionary bonuses	29,623	42,843
Employer's contribution to pension schemes	201	130
Total	33,853	46,963

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

19 INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

The emoluments of the other individuals with the highest emoluments mentioned above are within the following bands:

	2015	2014
	Number of individuals	Number of individuals
HKD nil to HKD1,000,000	–	–
HKD8,000,001 to HKD8,500,000	1	–
HKD8,500,001 to HKD9,000,000	1	–
HKD10,000,001 to HKD10,500,000	1	–
HKD12,500,001 to HKD13,000,000	–	2
HKD14,000,001 to HKD14,500,000	1	–
HKD15,500,001 to HKD16,000,000	–	1
HKD18,000,001 to HKD18,500,000	–	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 year.

20 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 ordinary in issue.

	2015	2014
Profit attributable to ordinary equity shareholders of the Company	1,700,772	654,105
Dividends for cumulative perpetual capital securities required but not declared for the year	(51,978)	–
Weighted average number of ordinary shares in issue	2,278,339	2,194,707
Basic and diluted earnings per share attributable to ordinary equity shareholders (in Renminbi per share)	0.72	0.30

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

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 PROPERTY AND EQUIPMENT

	Note	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost							
As at January 1, 2015		173,845	19,974	144,467	18,653	163,211	520,150
Acquisitions through business combination	58	–	3,705	29,209	2,541	–	35,455
Additions		5,226	1,352	35,437	2,048	111,697	155,760
Transfer in/(out) during the year		55	–	7,249	2,001	(33,058)	(23,753)
Disposals		(4,933)	(746)	(18,127)	(1,171)	–	(24,977)
As at December 31, 2015		174,193	24,285	198,235	24,072	241,850	662,635
Accumulated depreciation							
As at January 1, 2015		(39,405)	(17,578)	(114,775)	(12,964)	–	(184,722)
Acquisitions through business combination	58	–	(2,010)	(16,121)	(2,044)	–	(20,175)
Charge for the year		(5,165)	(1,806)	(17,423)	(2,464)	–	(26,858)
Disposals		451	747	13,854	1,067	–	16,119
As at December 31, 2015		(44,119)	(20,647)	(134,465)	(16,405)	–	(215,636)
Impairment							
As at January 1, 2015		(719)	–	(915)	(119)	–	(1,753)
Charge for the year		–	–	–	–	–	–
Disposals		–	–	169	40	–	209
As at December 31, 2015		(719)	–	(746)	(79)	–	(1,544)
Carrying amount							
As at December 31, 2015		129,355	3,638	63,024	7,588	241,850	445,455

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

21 PROPERTY AND EQUIPMENT (Continued)

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Total
Cost						
As at January 1, 2014	173,490	20,784	149,971	18,417	168,002	530,664
Additions	6,881	519	12,996	2,339	18,463	41,198
Transfer during the year	–	–	–	–	(23,254)	(23,254)
Disposals	(6,526)	(1,329)	(18,500)	(2,103)	–	(28,458)
As at December 31, 2014	173,845	19,974	144,467	18,653	163,211	520,150
Accumulated depreciation						
As at January 1, 2014	(34,609)	(17,689)	(112,830)	(12,807)	–	(177,935)
Charge for the year	(7,476)	(1,218)	(17,057)	(2,031)	–	(27,782)
Disposals	2,680	1,329	15,112	1,874	–	20,995
As at December 31, 2014	(39,405)	(17,578)	(114,775)	(12,964)	–	(184,722)
Impairment						
As at January 1, 2014	(719)	–	(943)	(126)	–	(1,788)
Charge for the year	–	–	–	–	–	–
Disposals	–	–	28	7	–	35
As at December 31, 2014	(719)	–	(915)	(119)	–	(1,753)
Carrying amount						
As at December 31, 2014	133,721	2,396	28,777	5,570	163,211	333,675

The carrying amount of premises without title deeds as at December 31, 2015 is RMB71,976 thousands (December 31, 2014: RMB73,882 thousand). The Group is still in the progress of application for the outstanding title deeds for the above premises. Management of the Group expected that there would be no significant cost in obtaining the title deeds.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

22 INVESTMENT PROPERTIES

	2015	2014
Cost		
As at January 1	29,664	29,664
As at December 31	29,664	29,664
Accumulated depreciation		
As at January 1	(8,896)	(8,069)
Charge for the year	(827)	(827)
As at December 31	(9,723)	(8,896)
Carrying amount		
As at December 31	19,941	20,768

23 GOODWILL

	2015	2014
Cost	43,739	13,135
Less: provision for impairment losses	-	-
Carrying amount	43,739	13,135

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

23 GOODWILL (Continued)

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	Notes	2015	2014
Fund Management	(1)	30,604	–
Futures brokerage	(2)	13,135	13,135
Total		43,739	13,135

- (1) The Group acquired more equity interest in New China Fund Management Co., Ltd. ("New China Fund") during 2015, and the New China Fund and its subsidiary became the subsidiaries instead of the associates of the Group. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the fund management CGU.
- (2) The Group acquired the entire equity interest in Hengtai Futures Co., Ltd in 2009. The Group recognised 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 amount of the CGU is determined based on value-in-use calculations. The calculation uses 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 rate used is the CGU's specific weighted average cost of capital, adjusted for the risk of the specific CGU.

As at December 31, 2015, the Group performed its goodwill impairment test. No impairments were recognised for the goodwill related to futures brokerage CGU and fund management CGU since the recoverable amount was greater than their carrying amount.

Notes to the Financial Statements

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24 INTANGIBLE ASSETS

	Note	Trading rights	Software	Others	Total
Cost					
As at January 1, 2014		9,589	77,282	5,289	92,160
Additions		–	31,480	–	31,480
Disposals		–	(825)	–	(825)
As at December 31, 2014		9,589	107,937	5,289	122,815
Acquisitions through business combination	58	–	16,192	–	16,192
Transfer in		–	23,753	–	23,753
Additions		–	19,809	–	19,809
Disposals		–	(211)	–	(211)
As at December 31, 2015		9,589	167,480	5,289	182,358
Accumulated amortization					
As at January 1, 2014		(9,289)	(42,820)	(5,239)	(57,348)
Charge for the year		–	(11,697)	(50)	(11,747)
Disposals		–	232	–	232
As at December 31, 2014		(9,289)	(54,285)	(5,289)	(68,863)
Acquisitions through business combination	58	–	(7,547)	–	(7,547)
Transfer in		–	–	–	–
Charge for the year		–	(18,254)	–	(18,254)
Disposals		–	144	–	144
As at December 31, 2015		(9,289)	(79,942)	(5,289)	(94,520)
Carrying amount					
As at December 31, 2014		300	53,652	–	53,952
As at December 31, 2015		300	87,538	–	87,838

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

25 INVESTMENTS IN SUBSIDIARIES

	2015	2014
Unlisted shares, at cost	996,583	699,804
Total	996,583	699,804

The following list contains the particulars of main subsidiaries.

Name of company	Place and date of incorporation/ establishment	Issued and paid-up capital	Equity interest held by the Company as at December 31,		Principal activity	Statutory auditor
			2015	2014		
Hengtai Changcai Securities Co., Ltd. 恒泰長財證券有限責任公司 ¹ ("Hengtai Changcai")	Changchun, PRC	200,000	100%	100%	Securities brokerage business	Ruihua Certified Public Accountants 瑞華會計師事務所(特殊普通合夥)("Ruihua")
Hengtai Futures Brokage Co., Ltd. 恒泰期貨股份有限公司 ¹ ("Hengtai Futures")	Shanghai, PRC	125,000	80%	100%	Futures brokerage business	Ruihua
New China Fund Management Co., Ltd. 新華基金管理股份有限公司 ^{1,2} ("New China Fund")	Chongqing, PRC	217,500	58.62%	43.75%	Funds Management	Ruihua
Hengtai Pioneer Investments Co., Ltd. 恒泰先鋒投資有限公司 ¹ ("Hengtai Pioneer")	Beijing, PRC	100,000	100%	100%	Investment, advisory and business management	Ruihua
Hengtai Capital Investment Co., Ltd. 恒泰資本投資有限責任公司 ^{1,3} ("Hengtai Capital")	Shenzhen, PRC	200,000	100%	100%	Equity investment, and funds management	Ruihua

Apart from the subsidiaries, the Company has consolidated those structured entities which are controlled by the Company.

- ¹ The English translation of the names is for reference only. The official names of these entities are in Chinese.
- ² The Company injected capital of RMB97.75 million to New China Fund on July 23, 2015. The registration of the change in paid up capital and the renewal of the business license with the State Administration of Industry and Commerce were completed on July 29, 2015. As a result, New China Fund and its subsidiary became subsidiaries instead of the associates of the Company. On September 28, 2015, New China Fund was converted into a joint stock company with limited liability.
- ³ The Company injected capital of RMB800 million to Hengtai Capital, and the registration of the change in paid up capital and the renewal of the business license with the State Administration of Industry and Commerce were completed on January 29, 2016.

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26 INTEREST IN ASSOCIATES

	2015	2014
Share of net assets	10,000	169,300

Interest in associates as at December 31, 2014 represented the interest in New China Fund and Beijing Pioneer Movie Venture Investment Management Centre (Limited Partnership) (“Pioneer Movie”), amounting to RMB155,629k and 13,671k respectively. New China Fund became a subsidiary of the Group as a result of the acquisition through business combination in July 2015. Beijing Pioneer completed its liquidation in December 2015 according to the partner meeting’s resolution to terminate the partnership.

Interest in associates as at December 31, 2015 represents the Group’s interest in Yifeng Internet Financial Information Services (Shanghai) Co., Ltd (“Yifeng Internet”), with a consideration of RMB10 million to acquire 49% of ownership interest. Yifeng Internet was established in Shanghai and is mainly engaged in Internet financial services with a registered capital of RMB9.8 million.

27 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current

	2015	2014
At fair value:		
Asset management schemes	1,764,004	82,605
Equity securities	412,318	134,050
Trust schemes	–	51,503
Subtotal	2,176,322	268,158
At cost:		
Equity securities	11,000	–
Total	2,187,322	268,158

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

27 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

	2015	2014
Analysed into:		
Listed outside Hong Kong	122,000	–
Unlisted	2,065,322	268,158
Total	2,187,322	268,158

Current

	2015	2014
At fair value:		
Debt securities	213,091	684,535
Asset management schemes	176,415	168,006
Investment funds	56,833	–
Wealth management products	–	3,000
Equity securities	110,847	629,386
Trust schemes	–	1,000
Total	557,186	1,485,927

Analysed into:

Listed outside Hong Kong	252,718	1,002,844
Unlisted	304,468	483,083
Total	557,186	1,485,927

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

28 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by collateral type:

	2015	2014
Non-current		
Equity securities	120,000	174,000
Less: Impairment	(600)	(870)
Subtotal	119,400	173,130
Current		
Debt securities	45,200	203,300
Equity securities	119,613	294,400
Less: Impairment	(598)	(1,375)
Subtotal	164,215	496,325
Total	283,615	669,455

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

28 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

(b) Analysed by market:

	2015	2014
Non-current		
Shenzhen stock exchange	120,000	174,000
Less: Impairment	(600)	(870)
Subtotal	119,400	173,130
Current		
Inter-bank market	–	156,000
Shanghai stock exchange	54,430	197,300
Shenzhen stock exchange	110,383	125,000
Others	–	19,400
Less: Impairment	(598)	(1,375)
Subtotal	164,215	496,325
Total	283,615	669,455

As at December 31, 2015, the Group did not hold any collaterals under resale agreements for which the Group was permitted to sell or repledge in the absence of default for the transactions (December 31, 2014: nil).

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29 REFUNDABLE DEPOSITS

	2015	2014
Deposits with stock exchanges		
China Securities Depository and Clearing Corporation Limited Shanghai Branch	69,322	21,614
China Securities Depository and Clearing Corporation Limited Shenzhen Branch	51,132	15,874
China Securities Depository and Clearing Corporation Limited Beijing Branch	1,055	828
	121,509	38,316
Deposits with futures and commodity exchanges		
Everbright Futures Co., Ltd	117,697	32,372
Shanghai Futures Exchanges	25,523	27,131
Dalian Commodity Exchanges	25,499	55,727
Zhengzhou Commodity Exchanges	17,400	19,967
	186,119	135,197
Deposits with other institutions		
China Securities Finance Corporation Limited	567,787	135,181
	567,787	135,181
Total	875,415	308,694

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

30 DEFERRED TAXATION

The components of deferred tax recognised in the consolidated statements of financial position and the movements during the year are as follows:

Deferred taxation arising from:	Note	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 available- for-sale financial assets	Others	Total
As at January 1, 2015		12,041	68,728	(50,462)	(85,000)	(34,971)	(89,664)
Acquisitions through business combinations	58	-	989	-	(729)	6,715	6,975
Recognised in profit or loss		6,140	104,719	(31,622)	-	26,384	105,621
Recognised in other comprehensive income		-	-	-	66,487	-	66,487
As at December 31, 2015		18,181	174,436	(82,084)	(19,242)	(1,872)	89,419
As at January 1, 2014		6,558	10,510	5,380	(24,046)	10,694	9,096
Recognised in profit or loss		5,483	58,218	(55,842)	-	(45,665)	(37,806)
Recognised in other comprehensive income		-	-	-	(60,954)	-	(60,954)
As at December 31, 2014		12,041	68,728	(50,462)	(85,000)	(34,971)	(89,664)

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

30 DEFERRED TAXATION (Continued)

(a) Reconciliation to the consolidated statement of financial position

	2015	2014
Net deferred tax assets recognised in the consolidated statements of financial position	103,819	2,726
Net deferred tax liabilities recognised in the consolidated statements of financial position	(14,400)	(92,390)
Total	89,419	(89,664)

(b) Deferred tax assets not recognised

The Group has no material unrecognized deferred tax assets or liabilities as at December 31, 2015 (December 31, 2014: nil).

31 OTHER NON-CURRENT ASSETS

(a) Analysed by nature:

	Note	2015	2014
Leasehold improvements and long-term deferred expenses	(b)	37,231	35,195
Long-term accounts receivable		3,655	6,400
Investments classified as receivable		250,000	–
Total		290,886	41,595

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

31 OTHER NON-CURRENT ASSETS (Continued)

(b) The movements of leasehold improvements and long-term deferred expenses are as below:

	2015	2014
As at January 1	35,195	45,005
Acquisitions through business combinations	887	–
Additions	18,948	8,101
Amortization	(17,799)	(17,911)
As at December 31	<u>37,231</u>	<u>35,195</u>

32 MARGIN ACCOUNTS RECEIVABLES

(a) Analysed by nature:

	2015	2014
Individuals	6,211,371	5,087,106
Institutions	40,434	32,407
Less: impairment	(34,473)	(25,942)
Total	<u>6,217,332</u>	<u>5,093,571</u>

(b) Analysed by fair value of collaterals

The fair value of collaterals for margin financing and securities lending business is analysed as the followings:

	2015	2014
Fair value of collaterals:		
Equity securities	16,386,686	11,765,741
Cash	948,970	539,812
Total	<u>17,335,656</u>	<u>12,305,553</u>

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 clients.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

33 OTHER CURRENT ASSETS

	2015	2014
Fee and commission receivable (note a)	179,234	8,363
Interest receivable (note b)	294,862	133,342
Deferred expenses	21,624	12,569
Other receivables	144,042	97,814
Total	639,762	252,088

(a) Fee and commission receivable

As at the end of the year, the aging analysis of fee and commission receivable, based on the invoice date, is as follows:

	2015	2014
Within 1 year	177,775	8,363
Over 1 years within 3 years	1,459	-
Total	179,234	8,363

(b) Interest receivable

	2015	2014
Available-for-sale financial assets	6,658	26,400
Financial assets at fair value through profit or loss	188,197	74,394
Margin financing and securities lending	95,813	28,947
Bank deposits	3,903	2,278
Financial assets held under resale agreements	666	1,358
Less: Impairment	(375)	(35)
Total	294,862	133,342

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

34 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) **Analysed by type:**

	2015	2014
Held for trading:		
Debt securities	7,172,292	2,521,536
Equity securities	1,116,723	565,115
Investment funds	1,369,045	689,126
Asset management schemes	11,077	30,200
Financial assets designated at fair value through profit or loss:		
Debt securities	202,451	–
Total	9,871,588	3,805,977

(b) **Analysed by listed:**

	2015	2014
Listed outside Hong Kong	5,233,790	2,225,647
Unlisted	4,637,798	1,580,330
Total	9,871,588	3,805,977

35 CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintain segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group has 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 recognised the corresponding accounts payable to the respective brokerage clients on the grounds that the Group is liable for any loss or misappropriation of their brokerage clients' monies. Cash held for brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions as per CSRC regulations.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

36 CLEARING SETTLEMENT FUNDS

	2015	2014
Deposits with stock exchanges		
China Securities Depository and Clearing Corporation Limited Shanghai Branch	479,553	262,312
China Securities Depository and Clearing Corporation Limited Shenzhen Branch	321,677	111,996
China Securities Depository and Clearing Corporation Limited Beijing Branch	33,677	1,975
Deposits with futures and commodity exchanges	33,633	38,415
Total	868,540	414,698

The clearing settlement funds arising from consolidated assets management schemes are amounting to RMB57,602 thousand as at December 31, 2015 (December 31, 2014: RMB23,705 thousand).

37 CASH AND BANK BALANCES

	2015	2014
Cash on hand	159	112
Bank balances	2,881,012	1,445,039
Total	2,881,171	1,445,151

The cash and bank balances arising from consolidated assets management schemes are amounting to RMB74,745 thousand as at December 31, 2015 (December 31, 2014: RMB80,742 thousand).

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

38 CASH AND CASH EQUIVALENTS

	2015	2014
Cash on hand	159	112
Bank balances with original maturity within three months	2,746,013	1,230,039
Clearing settlement funds	868,540	414,698
Financial assets held under resale agreements with original maturity within three months	52,752	203,300
Less: restricted bank deposits	(98,038)	–
Total	3,569,426	1,848,149

39 DEBT INSTRUMENTS ISSUED

	Note	2015	2014
Short-term commercial papers issued	(a)	–	1,400,000
Beneficiary certificates issued	(b)	2,172,553	–
Subordinated bonds issued	(c)	1,500,000	1,300,000
Short-term corporate bonds issued	(d)	1,000,000	–
Total		4,672,553	2,700,000

Analysed by remaining maturity:

	2015	2014
Within one year	2,043,460	1,400,000
Between one year and two years	1,129,093	–
Between two years and five years	1,500,000	1,300,000
Total	4,672,553	2,700,000

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

39 DEBT INSTRUMENTS ISSUED (Continued)

(a) Short-term commercial papers issued

Name	Issuance date	Due date	Nominal Interest rate	Book value as at January 1, 2015	Issuance	Redemption	Book value as at December 31, 2015
14 恒泰證券CP003 (071441003)	14/11/2014	13/02/2015	4.16%	700,000	-	(700,000)	-
14 恒泰證券CP004 (071441004)	26/12/2014	27/03/2015	6.00%	700,000	-	(700,000)	-
15 恒泰證券CP001 (071541001)	10/02/2015	12/05/2015	5.00%	-	500,000	(500,000)	-
15 恒泰證券CP002 (071541002)	24/03/2015	23/06/2015	5.15%	-	700,000	(700,000)	-
15 恒泰證券CP003 (071541003)	20/04/2015	18/07/2015	4.65%	-	700,000	(700,000)	-
Total				<u>1,400,000</u>	<u>1,900,000</u>	<u>(3,300,000)</u>	<u>-</u>

Name	Issuance date	Due date	Nominal Interest rate	Book value as at January 1, 2014	Issuance	Redemption	Book value as at December 31, 2014
14 恒泰證券CP001 (071441001)	26/05/2014	25/08/2014	4.90%	-	700,000	(700,000)	-
14 恒泰證券CP002 (071441002)	20/08/2014	19/11/2014	4.85%	-	700,000	(700,000)	-
14 恒泰證券CP003 (071441003)	14/11/2014	13/02/2015	4.16%	-	700,000	-	700,000
14 恒泰證券CP004 (071441004)	26/12/2014	27/03/2015	6.00%	-	700,000	-	700,000
Total				<u>-</u>	<u>2,800,000</u>	<u>(1,400,000)</u>	<u>1,400,000</u>

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

39 DEBT INSTRUMENTS ISSUED (Continued)

(b) Beneficiary certificates issued:

	Par value	Issuance date	Due date	Interest rate	Book value as		Accrued Interest	Book value as	
					at January 1, 2015	Issuance		at December 31, 2015	Redemption
Hengtai No. 1	244,830	02/04/2015	21/09/2016	6.90%	-	244,830	-	12,682	257,512
Hengtai No. 2	28,160	03/04/2015	21/09/2016	6.90%	-	28,160	-	1,456	29,616
Hengtai No. 3	36,720	09/04/2015	28/09/2016	6.90%	-	36,720	-	1,853	38,573
Hengtai No. 4	151,660	10/04/2015	28/09/2016	6.90%	-	151,660	-	7,626	159,286
Hengtai No. 5	29,740	15/04/2015	11/10/2016	6.90%	-	29,740	-	1,467	31,207
Hengtai No. 7	304,140	17/04/2015	11/10/2016	6.90%	-	304,140	-	14,891	319,031
Hengtai No. 8	200,000	22/04/2015	20/07/2015	7.10%	-	200,000	(200,000)	-	-
Hengtai No. 9	300,000	06/05/2015	04/05/2017	6.55%	-	300,000	-	12,921	312,921
Hengtai No. 11	200,000	20/05/2015	07/11/2016	6.65%	-	200,000	-	8,235	208,235
Hengtai No. 12	300,000	30/06/2015	29/06/2017	6.00%	-	300,000	-	9,123	309,123
Hengtai No. 13	500,000	18/09/2015	18/09/2017	4.90%	-	500,000	-	7,049	507,049
Total	2,295,250				-	2,295,250	(200,000)	77,303	2,172,553

As at December 31, 2014, there were no beneficiary certificates issued.

(c) Subordinated bonds issued:

As at December 31, 2015

Name	Par value	Issuance date	Due date	Nominal Interest rate	Book value as		Book value as at	
					at January 1, 2015	Issuance	December 31, 2015	2015
14 恒泰债 (123321)	1,000,000	11/11/2014	11/11/2019	6.90%	1,000,000	-	-	1,000,000
		(with early redemption option on 11/11/2017)						
14 恒泰02 (123291)	300,000	16/12/2014	16/12/2019	6.54%	300,000	-	-	300,000
		(with early redemption option on 16/12/2017)						
14 恒泰03 (123262)	200,000	30/01/2015	30/01/2020	6.70%	-	200,000	-	200,000
		(with early redemption option on 16/12/2017)						
Total					1,300,000	200,000	-	1,500,000

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 DEBT INSTRUMENTS ISSUED (Continued)

(c) Subordinated bonds issued (continued):

As at December 31, 2014

Name	Par value	Issuance date	Due date	Nominal Interest rate	Book value as at January 1, 2014	Issuance	Book value as at December 31, 2014
14 恒泰债(123321)	1,000,000	11/11/2014	11/11/2019	6.90%	-	1,000,000	1,000,000
		(with early redemption option on 11/11/2017)					
14 恒泰02 (123291)	300,000	16/12/2014	16/12/2019	6.54%	-	300,000	300,000
		(with early redemption option on 16/12/2017)					
Total					-	1,300,000	1,300,000

As approved by CSRC, the Company issued 5-year subordinated bonds with a nominal value of RMB1 billion on November 11, 2014, RMB300 million on December 16, 2014 and RMB200 million on January 30, 2015, respectively. These subordinated bonds were listed at Shanghai Stock Exchange.

(d) Short-term corporate bonds issued:

As at December 31, 2015

Name	Issuance date	Due date	Nominal Interest rate	Book value as at January 1, 2015	Issuance	Redemption	Book value as at December 31, 2015
恒泰短债D1	30/10/2015	28/10/2016	4.80%	-	500,000	-	500,000
恒泰短债D2	18/12/2015	16/12/2016	4.60%	-	500,000	-	500,000
Total				-	1,000,000	-	1,000,000

As at December 31, 2014, there were no short-term corporate bonds issued.

Notes to the Financial Statements

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40 PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	Note	2015	2014
Placements from China Securities Finance Co. Ltd	(1)	565,000	1,335,000
Placements from banks	(2)	–	300,000
Total		565,000	1,635,000

(1) As at December 31, 2015, the placements from China Securities Finance Corporation Limited bear interest at 6.3% per annum respectively, with remaining maturities within 1 month and 4 months (December 31, 2014: 5.8%-6.6%).

(2) As at December 31, 2014, the placements from banks were unsecured, bear interest rate at 7% per annum and were with maturities within 7 days.

41 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	2015	2014
Clients' deposits for margin financing and securities lending	871,990	514,537
Clients' deposits for other brokerage business	13,105,568	7,040,920
Total	13,977,558	7,555,457

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients. 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 amounts in excess of the required amount of margin deposits and cash collateral are repayable on demand.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

42 EMPLOYEE BENEFITS PAYABLE

	2015				
	As at January 1	Acquisitions through business combination (Note 58)	Accrued for the year	Payments made	As at December 31
Short-term employee benefits	275,677	21,828	1,350,606	(899,400)	748,711
Defined contribution plans	227	291	33,598	(33,392)	724
Total	275,904	22,119	1,384,204	(932,792)	749,435

	2014			
	As at January 1	Accrued for the year	Payments made	As at December 31
Short-term employee benefits	42,462	638,602	(405,387)	275,677
Defined contribution plans	103	25,986	(25,862)	227
Total	42,565	664,588	(431,249)	275,904

43 OTHER CURRENT LIABILITIES

	2015	2014
Payable to other investors of consolidated structure entities	1,957,479	1,023,265
Other payables	379,375	64,355
Interests payable	59,265	46,106
Business tax and other tax payable	91,458	34,163
Total	2,487,577	1,167,889

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by collateral type:

	2015	2014
Debt securities	3,532,913	1,329,550
Rights and interests in margin financing	3,200,000	1,650,000
Total	6,732,913	2,979,550

(b) Analysed by market:

	2015	2014
Inter-bank market	2,208,013	559,550
Shanghai stock exchange	1,324,900	730,000
Shenzhen stock exchange	–	40,000
Bank and other financial institutions	3,200,000	1,650,000
Total	6,732,913	2,979,550

(c) Analysed by transaction type:

	2015	2014
Pledged	6,001,749	2,979,550
Sold	731,164	–
Total	6,732,913	2,979,550

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (Continued)

(d) Analysed by collateral:

As at December 31, 2015, the carrying amount of the financial assets at fair value through profit or loss, available-for-sale financial assets and margin accounts receivables that had been placed as financial assets sold under repurchase agreements of the Group are listed as below:

	2015	2014
Financial assets at fair value through profit or loss	3,898,614	1,215,654
Available-for-sale financial assets	50,722	234,028
Margin accounts receivables	3,941,468	1,951,145
Total	7,890,804	3,400,827

45 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
Debt securities	22,276	52,914

Notes to the Financial Statements

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46 SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	2015	2014
As at January 1	2,194,707	2,194,707
Issuance of H shares	409,860	–
As at December 31	2,604,567	2,194,707

In October 2015, a total of 356,400,000 H shares with a par value of RMB1 each were issued by the Company at a subscription price of HKD3.92 per share, through the H share initial public offering to Hong Kong and overseas investors (the "Global Offering"). In November 2015, a total of 53,460,000 H shares with a par value of RMB1 each were issued by the Company at a subscription price of HKD3.92 per share, as a result of the exercise of the over-allotment option.

(b) Share premium

Share premium arising from the issuance of new shares at prices in excess of face value.

47 PERPETUAL CAPITAL SECURITIES

The Group issued a perpetual subordinated debt (the "Debt") with nominal value of RMB1,500 million on June 29, 2015. The Debt is undated and will carry a 6.80% coupon rate until the first redemption date on June 29, 2020. The coupon rate will be reset every five years if the Debt are not redeemed.

The Group does not have any contractual obligation to deliver cash or other financial assets to redeem the Debt. The redemption of the Debt is solely at the discretion of the Group.

Notes to the Financial Statements

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48 RESERVES

(a) Surplus reserve

Under relevant PRC Laws, the Company and its subsidiaries in Mainland China are required to appropriate 10% of its net profit, as determined under the People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. Subject to the approval of shareholders, statutory surplus reserve may be used to make good prior year losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

(b) 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, the Company and its subsidiary, Hengtai Changcai, appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.

(c) 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 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company and its subsidiary, Hengtai Changcai, appropriate 10% from its annual net profit, as determined under PRC GAAP, to the transaction risk reserve.

Notes to the Financial Statements

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48 RESERVES (Continued)

(d) Investment revaluation reserve

	2015	2014
As at January 1	255,001	72,140
Change in fair value recognized in other comprehensive income	171,045	343,216
Less: deferred income tax	(42,761)	(85,804)
Transfer to profit or loss upon disposal	(438,614)	(99,401)
Less: deferred income tax	109,653	24,850
As at December 31	54,324	255,001

(e) Dividends

On March 24, 2016, the Board of Directors proposed a cash dividend of RMB1 per ten shares in respect of the year ended December 31, 2015. Subject to the approval of the shareholders at the Annual General Meeting, the total amount of approximately RMB260 million is payable to those on the register of shareholders as at the relevant record date. This proposal is deemed as a non-adjusting event after the Reporting Period and has not been recognised as liability at December 31, 2015.

In accordance with the resolution of the Company's 2013 Annual General Meeting held on April 22, 2014, a total amount of approximately RMB219,471 thousand (RMB1 per ten shares) was distributed in the form of cash dividend to the Company's shareholders on May 30, 2014.

Notes to the Financial Statements

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49 MOVEMENT IN COMPONENTS OF EQUITY

The reconciliation between the opening and closing balance of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital	Share premium	Perpetual capital securities	Surplus reserve	General risk reserve	Transaction risk reserve	Investment revaluation reserve	Share of other comprehensive income of associates	Retained earnings	Total equity
As at January 1, 2015	2,194,707	813,953	-	243,383	309,649	297,443	392,599	567	991,381	5,243,682
Change in equity for 2015										
Profit for the year	-	-	-	-	-	-	-	-	1,824,292	1,824,292
Other comprehensive income	-	-	-	-	-	-	(356,460)	294	-	(356,166)
Total comprehensive income	-	-	-	-	-	-	(356,460)	294	1,824,292	1,468,126
Issuance of H shares	409,860	850,637	-	-	-	-	-	-	-	1,260,497
Issuance of perpetual capital securities	-	-	1,500,000	-	-	-	-	-	-	1,500,000
Appropriation to surplus reserve	-	-	-	182,429	-	-	-	-	(182,429)	-
Appropriation to general risk reserve	-	-	-	-	182,429	-	-	-	(182,429)	-
Appropriation to transaction risk reserve	-	-	-	-	-	182,429	-	-	(182,429)	-
Others	-	(3,354)	-	-	-	-	-	-	-	(3,354)
As at December 31, 2015	2,604,567	1,661,236	1,500,000	425,812	492,078	479,872	36,139	861	2,268,386	9,468,951

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

49 MOVEMENT IN COMPONENTS OF EQUITY (Continued)

	Share capital	Share premium	Surplus reserve	General risk reserve	Transaction risk reserve	Investment revaluation reserve	Share of other comprehensive income of associates	Retained earnings	Total
As at January 1, 2014	2,194,707	813,953	188,283	254,549	242,343	72,140	(48)	827,086	4,593,013
Change in equity for 2014									
Profit for the year	-	-	-	-	-	-	-	549,066	549,066
Other comprehensive income	-	-	-	-	-	320,459	615	-	321,074
Total comprehensive income	-	-	-	-	-	320,459	615	549,066	870,140
Capital injection by non- controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-
Appropriation to surplus reserve	-	-	55,100	-	-	-	-	(55,100)	-
Appropriation to general risk reserve	-	-	-	55,100	-	-	-	(55,100)	-
Appropriation to transaction risk reserve	-	-	-	-	55,100	-	-	(55,100)	-
Dividends distributed during the year (Note 48(e))	-	-	-	-	-	-	-	(219,471)	(219,471)
As at December 31, 2014	2,194,707	813,953	243,383	309,649	297,443	392,599	567	991,381	5,243,682

Notes to the Financial Statements

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50 TRANSFERRED FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognised financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognize these assets

Transferred financial assets that do not qualify for derecognition include securities lent to customers for securities selling, for which the customers provide the Group with collaterals that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized.

	December 31, 2015		December 31, 2014	
	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements	833,495	731,164	-	-
Securities lending	43,211	-	43,400	-

51 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at December 31, 2015 not provided for in the financial statements are as follows:

	2015	2014
Authorised, but not contracted for	142,500	247,320
Contracted, but not provided for	422,858	361,847
Total	565,358	609,167

The above mentioned capital commitments mainly represent the construction of properties of the Group.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

51 COMMITMENTS (Continued)

(b) Operating lease commitments

As at December 31, 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015	2014
Within 1 year (inclusive)	46,178	43,300
1–2 years (inclusive)	26,184	22,706
2–3 years (inclusive)	17,669	9,937
After 3 years	13,275	11,947
Total	103,306	87,890

(c) Underwriting commitments

According to the relevant underwriting agreements, underwriting commitments taken but not provided for by the Group as at December 31, 2015 are RMB13,260,000 thousand (December 31, 2014: RMB1,300,000 thousand).

52 INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group mainly 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 schemes to a level of such significance that it indicates that the Group is a principal.

As at December 31, 2015, the total assets of the consolidated asset management schemes are RMB3,072,935 thousand (December 31, 2014: RMB1,595,745 thousand), and the carrying value of interests held by the Group in the consolidated asset management schemes are RMB261,729 thousand (December 31, 2014: RMB379,844 thousand), which are accounted for as available-for-sale financial assets.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

52 INTERESTS IN STRUCTURED ENTITIES (Continued)

(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 asset management schemes, trust schemes, wealth management products, investment funds and asset-backed securities products issued by banks and 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 issuance of investment units to investors.

The carrying amount of the related accounts in the consolidated statement 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, 2015, which are listed as below:

	2015		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Asset management schemes	1,891,858	11,077	1,902,935
Investment funds	–	954,474	954,474
Asset-backed securities Products	–	372,620	372,620
Total	1,891,858	1,338,171	3,230,029

	2014		
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Asset management schemes	77,530	30,200	107,730
Trust schemes	52,503	–	52,503
Wealth management products	3,000	–	3,000
Investment funds	–	689,126	689,126
Asset-backed securities Products	–	160,785	160,785
Total	133,033	880,111	1,013,144

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

52 INTERESTS IN STRUCTURED ENTITIES (Continued)

(c) Structured entities sponsored by the Group

Structured entities for which the Group served as general partner or manager, therefore has power over them during the year are asset management schemes and investment funds. Except for the structured entities that the Group has consolidated as set out in Note 52 (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, 2015, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB123,519,502 thousand (December 31, 2014: RMB11,628,651 thousand).

The carrying amount of the investments held by the Group in these unconsolidated structured entities as at December 31, 2015 amounted to RMB519,964 thousand (December 31, 2014: RMB173,081 thousand).

The fee receivable held by the Group in these unconsolidated structured entities as at December 31, 2015 amounted to RMB166,774 thousand (December 31, 2014: RMB5,420 thousand).

53 CONTINGENCIES

As at December 31, 2015, the Group is not involved in any material legal, arbitration or administrative proceedings which the Group expect would have significant adverse impact on their financial position and operating results, should unfavorable rulings have been handed down (December 31, 2014: nil).

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

54 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 as below.

	2015	2014
Baotou Huazi Industry Co., Ltd*	11.83%	14.03%
Beijing Qingyun Intercontinental Technology Co., Ltd	8.71%	10.34%
Beijing Financial Street, Xihuan Properties Co., Ltd	8.12%	10.25%
Beijing Huijin Jiaye Investment Ltd	7.92%	9.39%
Beijing Financial Street Investment (Group) Co., Ltd	6.35%	8.02%
Beijing Huarong Infrastructure Investment Co., Ltd	5.95%	7.52%
Beijing Hongzhi Hui Industrial Co., Ltd	5.91%	7.02%
Xizhang Dazi Huifa Investment Co., Ltd**	5.91%	7.02%
Zhongchang Hengyuan Holding Co., Ltd ("Zhongchang Hengyuan")*	2.88%	3.42%
Shanghai Yida Technology Investment Co., Ltd ("Shanghai Yida")*	2.33%	2.77%

* Tomorrow Holding Limited Company, Zhongchang Hengyuan and Shanghai Yida, being direct or indirect shareholders of our Company, entered into an acting in concert agreement. As at December 31, 2015, Baotou Huazi (indirectly controlled by Tomorrow Holding), Zhongchang Hengyuan and Shanghai Yida together are interested in approximately 17.04% of the Company's share capital.

** Xizang Dazi Huifa Investment Co.,Ltd, formerly named Shenzhen Huifa Investment Co.,Ltd, has renamed as Xizang Dazi Huifa Investment Co.,Ltd on July 18, 2015.

(ii) Subsidiaries of the Company

The detailed information of the Company's subsidiaries is set out in Note 25.

(iii) Associates

The detailed information of the Group's associates is set out in Note 26.

(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.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

54 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(b) Related parties transactions and balances

(i) Transactions between the Group and major shareholders:

	2015	2014
Balances at the end of the year:		
Accounts payable to brokerage clients	6,227	49,644

	2015	2014
Transaction during the year:		
Fee and commission income	598	642
Interest expenses	104	58
Rental expenses	8,739	7,507
Other operating expenses	637	564

(ii) Transactions between the Group and associates:

	2015	2014
Transaction during the year:		
Fee and commission income	322	132

During the year ended December 31, 2014, the investment in the funds managed by the New China Fund were RMB794,673 thousand, and the disposal of the funds managed by the New China Fund were RMB548,514 thousand. The loss from disposal of those funds were RMB70,289 thousand. The dividend income and interest income from those funds were RMB38,940 thousand.

During the year ended December 31, 2014, the fee and commission income from offering distribution channels to the funds managed by New China Fund were RMB38,627 thousand.

As at December 31, 2014, the carrying amount of the investment in the funds managed by New China Fund was RMB413,390 thousand, which was accounted for as financial assets at fair value through profit or loss and available-for-sale financial assets for amount of RMB359,507 thousand and RMB53,833 thousand, respectively.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

54 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(c) Key management personnel remuneration

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Group, including members of the board of directors, board of supervisors and other members of the senior management.

Remuneration for key management personnel of the group, including amounts paid to the Company's directors as disclosed in note 18 and certain of the highest paid employees as disclosed in note 19, is as follows:

	2015	2014
Short-term employee benefits		
Fees, salaries, allowances and bonuses	77,645	105,039
Post-employment benefits		
Contribution to pension scheme	601	507
Total	78,246	105,546

Total remuneration is included in "staff costs" (see note 12).

(d) Applicability of the listing rules related to connected transactions

The related party transactions in respect of rental expenses above constitute connected transactions as defined in Chapter 14A of the Listing Rules. Those transactions are complied with the disclosure requirements in accordance with Chapter 14A of the Main Board Listing Rules.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

55 SEGMENT REPORTING

The Group manages and conducts its business activities by business segments. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following segments:

- Brokerage and wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of the clients, and also providing investment and financing solutions to high-end, professional and institutional clients, including sale of financial products, margin financing and securities lending, securities-backed lending;
- Investment banking segment provides corporate finance services, including financial advisory, equity underwriting and debt underwriting services as well as New Over-the-Counter Board-related services to institutional clients; Also, as chief agency broker, provides services to companies entering into National Equities Exchange and Quotations ("NEEQ") for share quotation and transfer;
- Proprietary trading segment engages in trading of equities, bonds, funds, and derivatives for the Group;
- Investment management segment includes businesses on asset management, private equity investment and alternative investment;
- Other segment mainly represents other operations of head office, including investment in associates, as well as interest income and interest expense arising from general working capital.

The Company and its subsidiaries mainly operate in the mainland China. The Group's operating assets are substantially situated in the mainland China. As a result, no segment analysis based on geographical locations of the customers and assets is provided.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

55 SEGMENT REPORTING (Continued)

Business segments

For the year ended December 31, 2015

	Brokerage and wealth management	Investment banking	Proprietary trading	Investment management	Others	Total
Revenue						
– External	3,235,259	285,410	1,019,114	1,019,774	44,681	5,604,238
– Inter-segment	508	1,130	(20)	(33,046)	31,428	–
Other income and gains	2,131	2,289	–	13,223	54,309	71,952
Segment revenue and other income	3,237,898	288,829	1,019,094	999,951	130,418	5,676,190
Segment expenses	(1,946,035)	(220,310)	(205,403)	(703,946)	(417,692)	(3,493,386)
Segment operating profit/(loss)	1,291,863	68,519	813,691	296,005	(287,274)	2,182,804
Share of profits of associates	–	–	–	–	12,466	12,466
Profit/(loss) before income tax	1,291,863	68,519	813,691	296,005	(274,808)	2,195,270

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

55 SEGMENT REPORTING (Continued)

	Brokerage and wealth management	Investment banking	Proprietary trading	Investment management	Others	Total
Other segment information:						
2015						
Interest income	853,266	11,753	593	7,400	45,777	918,789
Interest expenses	(453,817)	-	(95,389)	(161,313)	(44,230)	(754,749)
Depreciation and amortization	(47,251)	(2,473)	(236)	(8,126)	(5,652)	(63,738)
Impairment losses	(8,641)	(130)	-	(17,879)	-	(26,650)
Capital expenditure	124,137	407	79	11,427	97,844	233,894
As at December 31, 2015						
Segment assets	22,360,187	404,979	7,442,517	6,309,959	2,546,212	39,063,854
Deferred tax assets						103,819
Total assets						39,167,673
Segment liabilities	20,046,858	82,222	4,404,052	3,346,651	1,540,458	29,420,241
Deferred tax liabilities						14,400
Total liabilities						29,434,641

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

55 SEGMENT REPORTING (Continued)

Business segments

For the year ended December 31, 2014

	Brokerage and wealth management	Investment banking	Proprietary trading	Investment management	Others	Total
Revenue						
– External	1,161,116	137,715	584,679	353,547	11,052	2,248,109
– Inter-segment	(1,093)	8,536	(4,865)	4,069	(6,647)	–
Other income and gains	(540)	3,552	–	–	18,332	21,344
Segment revenue and other income	1,159,483	149,803	579,814	357,616	22,737	2,269,453
Segment expenses	(783,530)	(102,579)	(165,390)	(140,566)	(255,206)	(1,447,271)
Segment operating profit/(loss)	375,953	47,224	414,424	217,050	(232,469)	822,182
Share of profits of associates	–	–	–	11	15,141	15,152
Profit/(loss) before income tax	375,953	47,224	414,424	217,061	(217,328)	837,334

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

55 SEGMENT REPORTING (Continued)

	Brokerage and wealth management	Investment banking	Proprietary trading	Investment management	Others	Total
Other segment information:						
2014						
Interest income	308,582	11,747	18,361	2,341	-	341,031
Interest expenses	(111,999)	-	(58,787)	(25,896)	(6,617)	(203,299)
Depreciation and amortization	(47,791)	(2,706)	(307)	(1,722)	(5,741)	(58,267)
Impairment losses	(21,966)	-	-	-	-	(21,966)
Capital expenditure	20,345	1,866	97	1,279	33,937	57,524
As at December 31, 2014						
Segment assets	15,084,757	327,138	3,958,798	1,999,189	444,910	21,814,792
Deferred tax assets						2,726
Total assets						21,817,518
Segment liabilities	10,040,156	88,754	3,607,096	1,258,551	1,455,574	16,450,131
Deferred tax liabilities						92,390
Total liabilities						16,542,521

56 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 year, the Group was exposed to three 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; and (iii) risk of losses to the funds of the Company or customers arising from default of the financing party in innovative credit business.

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 year. 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.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

56 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

- (i) Maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	2015	2014
Refundable deposits	875,415	308,694
Other current asset	618,138	188,580
Margin accounts receivables	6,217,332	5,093,571
Available-for-sale financial assets	213,091	684,535
Financial assets at fair value through profit of loss	7,417,954	2,564,935
Financial assets held under resale agreements	283,615	669,455
Clearing settlement funds	868,540	414,698
Cash held on behalf of brokerage clients	13,784,064	7,438,648
Bank balances	2,881,012	1,445,039
Total maximum credit risk exposure	33,159,161	18,808,155

- (ii) Risk concentrations

The Group's major credit exposures are with counterparties domiciled in the PRC as of December 31, 2015.

- (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 value of debt securities at the end of the year are categorised by rating distribution as follows:

	2015	2014
Rating		
– AAA	1,651,319	371,021
– From AA- to AA+	3,441,785	2,226,911
– A-1	721,756	209,701
Sub-total	5,814,860	2,807,633
Non-rating	1,772,974	398,438
Total	7,587,834	3,206,071

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

56 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(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.

The following tables show the details of the remaining contractual maturities at the end of the year of the Group's non-derivative 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 year) and the earliest date the Group can be required to pay:

Financial Liabilities	As at December 31, 2015								Total
	Carrying amount	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	
Debt instruments issued	4,672,553	-	1,101	-	2,216,517	3,044,224	-	-	5,261,842
Placements from other financial institutions	565,000	-	-	560,501	9,116	-	-	-	569,617
Accounts payable to brokerage clients	13,977,558	13,977,558	-	-	-	-	-	-	13,977,558
Other current liabilities	2,393,710	86	27,147	294,485	2,071,992	-	-	-	2,393,710
Financial assets sold under repurchase agreements	6,732,913	-	3,635,912	637,391	2,534,007	-	-	-	6,807,310
Financial liabilities at fair value through profit or loss	22,276	-	22,276	-	-	-	-	-	22,276
Total	28,364,010	13,977,644	3,686,436	1,492,377	6,831,632	3,044,224	-	-	29,032,313

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

56 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(b) Liquidity risk

Financial Liabilities	As at December 31, 2014								
	Carrying amount	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
Debt instruments issued	2,700,000	-	-	1,413,211	-	1,734,060	-	-	3,147,271
Placements from other financial institutions	1,635,000	-	380,834	379,299	896,623	-	-	-	1,656,756
Accounts payable to brokerage clients	7,555,457	7,555,457	-	-	-	-	-	-	7,555,457
Other current liabilities	1,088,869	4,484	18,915	11,357	427,779	626,334	-	-	1,088,869
Financial assets sold under repurchase agreements	2,979,550	-	1,330,432	202,170	1,458,545	-	-	-	2,991,147
Financial liabilities at fair value through profit or loss	52,914	-	52,914	-	-	-	-	-	52,914
Total	16,011,790	7,559,941	1,783,095	2,006,037	2,782,947	2,360,394	-	-	16,492,414

(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 maximise the risk adjusted return. The Group monitors the market risk for proprietary trading portfolios. Stress testing is conducted regularly, and the potential movements of risk and operating indicators in a variety of scenarios are calculated.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

56 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

- (i) Interest rate risk of proprietary trading portfolios

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of year, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit and net other comprehensive income. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit	
	2015	2014
Change in basis points		
Increase 100 basis points	(131,948)	(32,664)
Decrease 100 basis points	140,377	34,219

	Sensitivity of net other comprehensive income	
	2015	2014
Change in basis points		
Increase 100 basis points	(1,457)	(7,849)
Decrease 100 basis points	1,489	8,101

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

56 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(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's currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies different from the functional currency of the Group.

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

(iii) Price risk

The Group is exposed to equity price changes arising from equity investments concluded in financial assets 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 net other comprehensive income due to the price fluctuation of the available for sale financial instruments.

The analysis below is performed to show the impact on Group's net profit and net other comprehensive income due to change in the prices of equity securities by 10% with all other variables held constant.

	Sensitivity of net profit	
	2015	2014
Increase by 10%	187,263	97,690
Decrease by 10%	(187,263)	(97,690)

	Sensitivity of net other comprehensive income	
	2015	2014
Increase by 10%	189,856	80,216
Decrease by 10%	(189,856)	(80,216)

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

56 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(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 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 after risk adjustments on certain types of assets as defined in the Administrative Measures.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

56 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(d) Capital management (Continued)

As at December 31, 2015, the Company maintained the above ratios as follows:

	2015	2014
Net Capital	6,442,197	4,073,418
Ratio 1	548.07%	581.46%
Ratio 2	68.03%	77.68%
Ratio 3	52.25%	52.51%
Ratio 4	76.80%	67.60%
Ratio 5	47.90%	34.11%
Ratio 6	100.13%	70.61%

Similar to the Company, certain subsidiary of the Group is also subject to capital requirements set by the CSRC, and it has complied with the capital requirements as at December 31, 2015.

57 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 values 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 debt instruments issued 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) Margin accounts receivables and other current assets, accounts payable to brokerage clients are within one year. Accordingly, the carrying values approximate the fair values.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FAIR VALUE INFORMATION (Continued)

(b) Fair value of other financial instruments (carried at other than fair value)

The carrying value and fair value of debt instruments issued which are not presented at fair value are listed as below:

Carrying value

	2015	2014
<i>Financial liabilities</i>		
Subordinated bonds issued	1,500,000	1,300,000
Short-term commercial paper issued	–	1,400,000
Total	<u>1,500,000</u>	<u>2,700,000</u>

Fair value

	As at December 31, 2015			
	Level I	Level II	Level III	Total
<i>Financial liabilities</i>				
Subordinated bonds issued	–	1,529,707	–	1,529,707
Total	<u>–</u>	<u>1,529,707</u>	<u>–</u>	<u>1,529,707</u>
	As at December 31, 2014			
	Level I	Level II	Level III	Total
<i>Financial liabilities</i>				
Short-term commercial paper issued	–	1,398,366	–	1,398,366
Subordinated bonds issued	–	1,269,899	–	1,269,899
Total	<u>–</u>	<u>2,668,265</u>	<u>–</u>	<u>2,668,265</u>

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's consolidated statement of financial position approximate their fair values.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FAIR VALUE INFORMATION (Continued)

(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: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level II: Inputs other than quoted prices 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 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.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FAIR VALUE INFORMATION (Continued)

(c) Fair value hierarchy (Continued)

The table below analyses financial instruments, measured at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	As at December 31, 2015			
	Level I	Level II	Level III	Total
Recurring fair value measurement:				
Assets				
Financial assets at fair value through profit or loss				
–Debt securities for trading purpose	360,178	6,563,164	248,950	7,172,292
–Equity securities	901,155	98,670	116,898	1,116,723
–Investment funds	1,369,045	–	–	1,369,045
–Asset management schemes	–	–	11,077	11,077
–Debt securities designated at fair value through profit or loss	–	72,451	130,000	202,451
Available-for-sale financial assets				
–Debt securities	45,755	167,336	–	213,091
–Equity securities	–	198,308	324,857	523,165
–Investment funds	56,833	–	–	56,833
–Asset management schemes	–	1,932,369	8,050	1,940,419
Total financial assets recurringly measured at fair value	2,732,966	9,032,298	839,832	12,605,096
Liabilities				
Financial liabilities at fair value through profit or loss	–	22,276	–	22,276
Total financial liabilities recurringly measured at fair value	–	22,276	–	22,276

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FAIR VALUE INFORMATION (Continued)

(c) Fair value hierarchy (Continued)

	As at December 31, 2014			
	Level I	Level II	Level III	Total
Recurring fair value measurement:				
Assets				
Financial assets at fair value through profit or loss				
– Debt securities	459,402	1,912,134	150,000	2,521,536
– Equity securities	565,115	–	–	565,115
– Investment funds	689,126	–	–	689,126
– Asset management schemes	–	–	30,200	30,200
Available-for-sale financial assets				
– Debt securities	134,345	550,190	–	684,535
– Equity securities	629,386	–	134,050	763,436
– Asset management schemes	–	248,436	2,175	250,611
– Wealth management products	–	3,000	–	3,000
– Trust schemes	–	51,503	1,000	52,503
Total financial assets recurringly measured at fair value	2,477,374	2,765,263	317,425	5,560,062
Liabilities				
Financial liabilities at fair value through profit or loss				
	–	52,914	–	52,914
Total financial liabilities recurringly measured at fair value	–	52,914	–	52,914

For the year ended December 31, 2015, there is no significant transfer among Level I, Level II and Level III of the fair value hierarchy (2014: nil).

57 FAIR VALUE INFORMATION (Continued)

(c) Fair value hierarchy (Continued)

(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 statements 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.

(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 maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 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 December 31, 2015, 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 open-end funds and collective asset management schemes, 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 the exchange, 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.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FAIR VALUE INFORMATION (Continued)

(c) Fair value hierarchy (Continued)

(iv) Financial instruments in Level III

	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Total
As at January 1, 2015	180,200	137,225	317,425
Gains/(losses) for the year	5,061	(16,000)	(10,939)
Changes in fair value recognised in other comprehensive income	–	50	50
Purchases	471,664	264,857	736,521
Sales and settlements	(150,000)	(53,225)	(203,225)
As at December 31, 2015	506,925	332,907	839,832
Total gains/(losses) for the year included in profit or loss for assets held at the end of the year	5,061	(16,000)	(10,939)
	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Total
As at January 1, 2014	–	–	–
Gains for the year	290	–	290
Changes in fair value recognised in other comprehensive income	–	135	135
Purchases	179,910	137,090	317,000
Sales and settlements	–	–	–
As at December 31, 2014	180,200	137,225	317,425
Total gains for the year included in profit or loss for assets held at the end of the year	290	–	290

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

57 FAIR VALUE INFORMATION (Continued)

(c) Fair value hierarchy (Continued)

(iv) Financial instruments in Level III

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.

<u>Financial assets</u>	<u>Fair value hierarchy</u>	<u>Valuation technique(s) and key input(s)</u>	<u>Significant unobservable input(s)</u>	<u>Relationship of unobservable input(s) to fair value</u>
Asset management schemes, private placements bonds, trust schemes	Level III	Discounted cash flows models	Risk adjusted discount rates	The lower the risk adjusted discount rate, the higher the fair value
Unlisted equity investment	Level III	Market comparable companies	Discount rate for lack of marketability	The lower the discount rate, the higher the fair value

58 BUSINESS COMBINATION

On July 29, 2015, the Group acquired additional 14.87% equity interest in New China Fund which is engaged in funds management with a consideration of RMB97.75 million. As a result, the Company's interest in New China Fund increased to 58.62%, and NCF became a subsidiary controlled by the Company.

Details of consideration paid, fair value of the previously-held equity interest held at the acquisition date, and the goodwill recognized on the acquisition date were as follows:

	Amount
Cash consideration paid for the additional equity interest	97,750
Acquisition-date fair value of the previously-held interest	163,080
Total consideration for business combination	260,830
Less: Fair value of identifiable net assets acquired	
attributable to the shareholder of the Company	230,226
Goodwill	30,604

The goodwill is attributable to the economies of scale expected from combining the operations of the Group and the acquired businesses.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

58 BUSINESS COMBINATION (Continued)

The recognized amounts of identified assets acquired and liabilities assumed as at the date of acquisition were as follows:

	<i>Note</i>	Amount
Property and equipment	21	15,280
Intangible assets	24	8,645
Available-for-sale financial assets		52,919
Refundable deposits		10,200
Deferred tax	30	6,975
Other non-current assets		2,849
Other current assets		82,110
Cash and bank balances		351,532
Employee benefits payable	42	(22,119)
Other current liabilities		(78,108)
Current tax liabilities		(10,582)
Total identified net assets		419,701
Non-controlling interests recognized		26,958
Identified assets acquired and liabilities assumed attributable to the shareholders of the Company		392,743

The amount of Non-controlling interest in the NCF recognized at the acquisition date is measured at fair value, which is derived from the fair value of NCF's identifiable net assets, evaluated by the appraiser using the cost methods.

The Group recognized a loss of RMB35,087 thousand as a result of measuring at fair value of its 43.75% equity interest in the NCF held before the business combination. The loss was reported as loss on measuring equity interest in associated companies held before business combination in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2015.

The analysis of the net outflow of cash and cash equivalent in respect of the business combination is as follows:

	Amount
Purchase consideration	97,750
Cash and cash equivalent	97,750
Net outflow of cash and cash equivalent in respect of business combination	97,750

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

59 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2015

Up to the date of issue of the consolidated financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended December 31, 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
IFRS 14, Regulatory deferral accounts	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IFRS 15, Revenue from contracts with customers	1 January 2017
IFRS 9, Financial instruments	1 January 2018
IFRS 16, Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

IFRS 15 Revenue from contracts with customers

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.

Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

59 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

IFRS 9 Financial instruments

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 carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 15 and IFRS 9.

60 NON ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On January 29, 2016, the Company issued corporate bond with a nominal value of RMB1.5 billion which is listed and traded in the Shanghai stock Exchange with face value of RMB1.5 billion. The issuance has been approved by the Company's board of directors during the year ended December 31, 2015.