



# China International Capital Corporation Limited

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

Stock code : 3908



## Core Values

### **People-oriented with Nation in Mind** (以人為本，以國為懷).

People are our most valuable resource. We make great efforts to attract, cultivate and retain the best people. “Acting as the international investment bank of China” has been our historical mission since the inception of CICC. We always regard promoting and servicing the reform of the national economic system and the development of the Chinese capital market as our due responsibilities.

### **Diligent and Professional** (勤奮專業).

We develop business with the highest professional standards, and have nurtured a team of high quality financial talents with international vision, who are diligent, responsible and agree with our corporate culture.

### **Active and Enterprising** (積極進取).

Innovation is the driving force for the sustainable development of CICC. With excellent talents, panoramic vision, close cooperation with customers and extensive experience, we can always feel and capture the latest pulse of market and provide innovative products and high quality services to our customers.

### **Clients First** (客戶至上).

Client service is always our first priority. We maintain long-term relationships with our clients and provide them with value-added services.

### **Integrity as Foundation** (至誠至信).

Our reputation is our biggest asset and is built upon the utmost professional integrity and highest ethical standards. We never compromise on integrity.

### **Chinese Roots and International Reach** (植根中國、融通世界).

As a China-based global investment bank, we are proud of our China roots and our international DNA. We strive to bridge China and the world by providing best-in-class services to both Chinese and overseas clients.

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# Important Notes

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

The financial statements for 2015 was prepared by the Company according to International Financial Reporting Standards (“IFRSs”), which has been audited by KPMG and KPMG has issued auditors’ report with unqualified opinions. Unless otherwise stated, the amounts in this report are presented in RMB.

The forward-looking statements such as future plans, development strategies contained in this report do not constitute substantive undertakings by the Company to investors who are advised to be cautious about investment risks.



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# Message from Our Chairman

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Dear Shareholders,

2015 was an unprecedented year for China's capital markets and the domestic securities industry. The market was highly volatile throughout the year, while industry revenue and net income hit a recent high. In the meantime, the industry was afflicted by compliance incidents, which may transform the competitive landscape we operate in. As for CICC, 2015 was also an exceptional year. In the year of our 20th anniversary, we made several major strategic moves and delivered record high revenue and earnings. While the whole industry was challenged by moral hazard, we safeguarded and further enhanced our brand by executing more stringent compliance and risk management practices and strictly observing our core values. More importantly, with the concerted effort of our management and employees, as well as the firm support of our Board, shareholders and regulators, we accomplished our restructuring, and completed a successful initial public offering on the Main Board of the Hong Kong Stock Exchange on November 9, 2015, raising net proceeds of HKD 6.401 billion. The IPO marks a milestone in CICC's history. Being a public company, CICC has laid the foundations for the next exciting 20 years.



2016 is the debut year of the central government's "13th Five-year Plan" and a new launching point for CICC. We believe that as the economy enters into a "New Normal" era featuring increased structural reform, the capital markets will play an increasingly important role. With the overwhelming trend of internet finance, more innovative explorations are expected to take place in the securities industry. Facing change, CICC will continue to build upon the extensive and quality base of people, franchise, shareholders, and clients, and establish ourselves as a China-headquartered, internationally renowned full service investment bank.

A handwritten signature in black ink, appearing to be the Chinese characters '丁学东' (Ding Xuedong).

Mr. Ding Xuedong  
Chairman  
March 29, 2016

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# Message from Our CEO

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Dear Shareholders,

## Economic and Market Situation

In 2015, global growth was at its lowest in six years, trade slowed, and energy and commodity prices slumped. Global market volatility intensified, the new economies faced numerous challenges, and currencies devalued.

In 2015, the Chinese economy was also in a situation where challenges and opportunities coexisted. We experienced the lowest GDP growth in 25 years, capital market turbulence and also witnessed the monumental event of RMB joining the SDR basket and the implementation of the “One Belt, One Road” national strategy.

Looking ahead into the new year, we believe the direction of the capital markets will rely to a great extent on the transformation and development of the macro economy. Being confronted with the severe challenges of maintaining short-term growth and addressing medium-to long-term structural problems, we hope to see:

- Tangible progress in further implementation of structural reforms:
  - SOE reform: focus on increasing the operating efficiency and overall competitiveness of state-owned enterprises (SOEs), optimizing incentive mechanisms, facilitating market-oriented operations, and modest yet continued reduction of industrial over-capacity.
  - Fiscal and taxation reform: reducing the effective tax burden of enterprises through a value-added tax in lieu of business tax and reform of the pension system, through establishing a unified national pension insurance system to enhance the mobility in the labour market.
  - Urbanization reform: help China release huge growth potential in the medium- and long-term



to stimulate domestic demand, labour force participation and labour productivity.

- The government to continue to put forward counter-cyclical policy measures, in particular, to allow fiscal policy to play a greater role in stabilizing growth, and monetary policy to remain moderately relaxed.
- A robust exchange rate policy to support the strategy of RMB internationalization and financial liberalization.

Against the macro backdrop of persistent growth pressure, policy easing and reform are expected to drive market performance in 2016. Cyclical and structural investment opportunities still exist. Meanwhile, with the implementation of reform initiatives in the capital markets such as securities law amendments and interest rate liberalization, we expect a more sophisticated and multi-layered capital market to play a greater role in the economic restructuring process to help solve problems such as high macro leverage ratio and over-concentration of economic and financial risks in the banking system, so as to better satisfy the diverse investment and financing needs of various types of economic entities.

## Industry Outlook

Looking ahead into 2016, we believe the biggest challenge for the securities industry lies in how better to utilize capital amid potentially deeper market corrections:

- In 2015, market trading volume rose to an unprecedented level, driven by both macro factors such as deposit migration and financial disintermediation, as well as the temporary money-making effect. We expect future market trading activities to remain at a relatively active “new normal” level, but we shall also be vigilant against the interim difficulties brought by potentially deeper market corrections and be well-prepared to cope with them.
- In the first half of 2015, the securities industry significantly increased levels of financing, and the leverage ratio was at an all time high. After the rapid deterioration of the market situation in the second half of the year, securities firms now face the challenges of how to effectively apply funds amidst market corrections, control financial risks and maintain an attractive level of capital returns.

From a long-term perspective, the Chinese securities industry still has huge room for development in terms of its scale and structure. We have confidence in the future of the industry:

- Currently, banks have a dominant place in the Chinese financial sector with a 90% market share, which is far higher than that in the United States, where the market share of the securities industry is less than 3%. The financial sector landscape is similar to that of the United States before. Financial liberalization in the United States led the securities industry into a “Golden Age”, when the revenue of the industry expanded over ten-fold. In the next decade, the domestic securities industry is expected to continue to expand rapidly, as the Chinese capital markets grow more sophisticated.
- Although the Chinese securities industry is still in an early stage of development, the rise of the new economy and increasingly frequent international exchanges have brought about new financial

development needs. With a greater variety of capital market participants calling for more diverse and tailored investment and financing solutions, there is still significant room for further transformation and upgrade of the securities industry. Capital waves such as large-scale mergers and acquisitions, high-yield bonds and asset-backed securitization, which once took place in the US and European markets, are expected to emerge in this young and dynamic Chinese market in the near future. The business model with a focus on channels and cash agency will eventually give way to new models of comprehensive service offerings to customers utilizing the balance sheet. The industry revenue structure will resultantly be optimized. In certain new areas, development opportunities are there in both the Chinese and overseas capital markets.

In the face of strategic opportunities, the question of how to seize the momentum and achieve leapfrogging development will depend on the vision, strategies and execution ability of every financial institution.

## Review of CICC

### Financial Performance

In 2015, the Group achieved a total revenue and other income of RMB9.51 billion, representing an increase of 54.4% year on year; and net profit of RMB1.95 billion, representing an increase of 74.6% year on year. The weighted average return on net assets was 20.4%, representing an increase of 5.3 percentage points year on year.

In terms of capital strength, by virtue of our successful listing of H shares and the profit achieved in 2015, net assets of the Group at the end of 2015 reached RMB16.44 billion, representing an increase of 105.7% over 2014. This timely replenishment of capital has helped the Company to better develop its business and serve customers. The listing has also provided better conditions and platform for the Company to achieve its strategic and capital deployment goals.

## Business Achievements

### *Business Structure Became More Balanced*

In 2015, the business structure of the Company became more balanced and comprehensive. After years of effort, the Company has been transformed from a pure investment bank to an all-round service provider, with more balanced business lines consisting of investment banking, brokerage and investment management, comprehensive coverage of institutional and retail investors, and strong presence both at home and abroad. The five business lines of the Company, namely Investment Banking, Equity Sales and Trading, FICC, Wealth Management and Investment Management, are dynamically complementary to one another and our reliance on the traditional brokerage business is significantly lower than our peers. Our comprehensive business lines will help the Company to better capture development opportunities and enable the Company to adapt to all macroeconomic environments and market pressures.

This year, the development of the Company's major business lines was also more diversified. In our Investment Banking business, revenue from M&A and debt capital markets and from private sector clients accounted for a significantly higher proportion; for our Equity Sales and Trading business, revenue was more evenly generated from brokerage versus product distribution in the onshore and offshore markets; for our FICC business, the proportion of revenue from client facilitation increased, and our principal investment strategies extended to multiple products, multiple markets and multiple trading technologies; for our Wealth Management business, the self-balancing effect among the three types of business of trading, capital intermediary and product became more apparent; for our Investment Management business, a complete value chain covering asset management, mutual fund and private equity was in good shape with full coverage over all types of clients. Along with the establishment and growth of the various business lines and thanks to the forward-looking strategic initiatives, the Company is expected to experience further profitable growth across business lines.



## Financial Performance and Business Achievements

### *Traditional Business Maintained the Market Leading Position*

Investment Banking is our traditional strength. In 2015, Investment Banking continued to maintain its market leading position and helped strengthen the franchise and client base of the Company.

In 2015, the Company seized the opportunity arising from SOE reform and industrial restructuring to maintain its leading position in major transactions, and completed a series of milestone projects including the capital injection and restructuring of China Tower, the merger of COSCO and China Shipping, the private placement of Postal Savings Bank, the restructuring of China Petroleum Pipeline, and the merger of Minmetals and MCC.

The Company also actively developed business opportunities in emerging industries and the private sector, and completed several blockbuster transactions in the internet sector, including the private placement of Ant Financial, Alibaba's strategic investment in Suning, Storm Media's IPO, and the outbound acquisition of Beijing Kunlun. The Company also helped Wens, a leading agricultural player, to list successfully on the GEM market, which subsequently became the largest private enterprise by market capitalization, and further enhanced our market influence.



The Company continued to strengthen its international network and cross-border capability by advising on several blockbuster strategic investment deals and cross-border M&A transactions, and further consolidated its competitive advantage in the Hong Kong market through major share offerings of Lenovo, China Re, Huarong and CEEC. The Company has remained a pioneer in product innovation, and further solidified its market position in areas of exchangeable bonds and medium-term notes, while its overseas USD bond business also achieved rapid development.

In 2015, CICC ranked first, second and fifth respectively in M&A of PRC-based enterprises, Hong Kong IPOs of PRC-based enterprises and domestic bond underwritings. The Company became the first investment bank to advise on PRC M&A transactions totaling over US\$100 billion, and was granted a number of awards for transactions and projects in authoritative annual selections run by publications such as the *Global Finance*, *the Asset and FinanceAsia*.

#### ***Initial Success of Transformation towards On-balance Sheet Service Business***

Our Hong Kong IPO enabled the Company to leverage its Equity Sales and Trading and FICC businesses to spearhead transformation towards balance sheet-based services. In 2015, the balance sheet strength of both business lines was enhanced, with more diversified product and service offerings.

For Equity Sales and Trading, the Company leveraged its differentiated and professional services to satisfy the diverse trading needs of an extensive domestic and international institutional investor base, and maintained a premium over market commission rates. In 2015, revenue from Equity Sales and Trading increased significantly while the revenue structure was substantially improved, with positive progress made in transforming the business model from research-centric brokerage towards comprehensive “sales, product,

and trading” financial services. The Company took the lead in derivatives and created a precedent for the industry in areas of OTC securities lending, share options and options for baskets of shares by introducing several new product structures. Seizing the opportunity of initiating the prime brokerage business, the Company obtained the qualifications for integrated custodian business for private funds, and custodian business for securities investment funds, accelerated IT system construction and made a series of innovative developments in fund custodian services and service outsourcing. In 2015, the research, sales and trading teams of the Company continued to embrace the first prize in authoritative annual selections run by publications such as the *Institutional Investors* and the *Asiamoney*.

For FICC, the Company integrated trading, sales, debt capital markets, product design, fixed income research and futures platforms; and established a specialized structuring team to better match client demands with capital market instruments, and to provide clients with customized structured products and solutions on the basis of our premier industry research capability. In the coming year, the Company will strive to build a comprehensive trading platform, with risk hedging capability, client trading services capability, product design and distribution capability, and cross-border trading execution capability covering all asset classes, including fixed income, foreign exchange, commodities and equity products.

#### ***Wealth Management and Investment Management Business Maintained Rapid Growth***

Wealth Management and Investment Management businesses are important growth drivers of the Company going forward. Being a strategic focus of the Company, and also benefiting from the robust trading activities in 2015, these two segments recorded revenue growth of 101.7% and 77.3% respectively, which collectively accounted for 29.2% of our total revenue and other income, becoming an important revenue contributor to the Company.

For Wealth Management, the Company further strengthened coverage of high net worth individuals. The number of wealth management clients doubled, average assets per account remained relatively high, total client assets increased rapidly. Revenue from our wealth management business has maintained strong growth for several consecutive years. The Wealth Management department was awarded the “Best Wealth Management Institution” award by the *Securities Times* for three consecutive years, and the brokerage branches maintained industry-leading productivity. The Company has also made encouraging progress in the internet finance arena, as Golden Net witnessed sound momentum in broadening its client base and business model over its first year of operation.

For Investment Management, the Company’s asset management business has been focusing on active management. Assets under management expanded rapidly, while we maintained a leading position in corporate pension plans, quantitative products and cross-border transactions. We delivered satisfying returns from related product lines in 2015. “CICC Anxin Huibao (中金安心回報)” was granted the “Golden Bull Award for Securities Firm for Collective Asset Management Plan” (金牛券商集合資管計劃) by the *China Securities Journal*. The Company has accelerated development of the mutual fund as well as onshore and offshore private equity businesses. Entering its second year, CICC Fund Management has doubled the size of assets under management and rapidly developed a brand reputation as a sizeable mutual fund with a diversified product portfolio. As the private equity platform further diversifies with the establishment of the New Fund and Phase II Fund, and on the basis of previous good performance, CICC has accurately seized the investment opportunities arising from emerging industries, the homecoming of PRC-concept shares, NEEQ businesses and the reform of SOEs.

#### *Cross-border Service Capability was Further Enhanced*

The Company continued to strengthen its international strategies by constantly improving the service quality and product design, and offering flexible and all-round cross-border services, to satisfy the diverse offshore investment and financing needs of domestic and foreign enterprises,

financial institutions and individual investors. The Company further increased the coverage and penetration of businesses in our four international branches in Hong Kong, New York, London and Singapore to capture the trend of cross-border capital flows and global wealth allocation, so as to keep us at the forefront of international development.

In the past year, the Company has strengthened our overseas bond and block trade businesses, to further enhance our cross-border sales capability. The Company has successfully expanded the scope of trading to more major markets, and has become one of the first brokerage firms to launch diversified trading and settlement solutions for the Shanghai-Hong Kong Stock Connect, and has continued to consolidate its leadership in areas such as QFII, RQFII and Shanghai-Hong Kong Stock Connect. The Company has accelerated expansion of the wealth management platform and team in Hong Kong, so as to enable the Company to better capture the business opportunities brought about by the trend of global wealth allocation. In 2015, the Company’s overseas revenue maintained steady growth, at RMB1.76 billion.

#### *Mid-and-back-office Functions were Strengthened*

The future core competitiveness of financial institutions will largely depend on their mid-and-back-office capability. The Company has begun and will continue to strengthen the mid-and-back offices, with particular focus on IT systems, financial resource management as well as risk and compliance control.

In 2015, the Company has increased investment in the building of our IT systems and the IT team, with a focus on development and improvement of the QFII/RQFII trading systems, global OTC derivatives technical trading support platform, the Hong Kong market internet trading system, the prime broker (PB) technical support platform and the balance sheet management technical support platforms, to further enhance overall systems capacity and provide strong technical support for business innovation globally.

In the face of the challenges presented by rapidly growing our balance sheet-based business, and with the assistance of professional advisory agencies, the Company began to establish a balance sheet management system, improve internal pricing policies, and further enhance financial resources planning and budgeting management processes, so as to better match assets with liabilities, and improve resource utilization efficiency and operational stability.

Against the backdrop of market volatility and frequent occurrence of regulatory compliance incidents in the industry, the Company always adhered to the most stringent risk control and compliance practices, maintained risk indicators such as value at risk (VaR), LTV ratio and liquidity ratio alerts, and actively carried out self-examination in areas such as business procedures, client risks and appropriateness and team management, to ensure the Company operates soundly following standardized procedures with risks well under control. As a result, the Company stayed clear of major risks and compliance incidents throughout the year.

### Future Corporate Strategies and Initiatives

Looking forward, CICC will focus on both organic growth and potential M&A opportunities, to reinforce our advantages in traditional business, continue to expand our client base, sharpen our focus on capital-based business, and increase investment in mid-and-back offices, and will further improve quality, expand scale and operate soundly.

Specific strategic initiatives include:

- Enhance CICC's brand influence and strengthen our leadership in the high-end market.
- Provide more comprehensive value-added services to an enlarged client base.
- Sharpen our focus on capital-based business and product innovation.
- Leverage our cross-border capability to capture market opportunities.
- Further develop wealth management and investment management business to ensure sustained growth.

- Strengthen the mid-and-back-office functions and make it a major part of our core competitiveness.
- Actively explore M&A opportunities to ramp up expansion.

In 2016, under the Board's leadership, the Company will actively implement strategies to accelerate development and will maintain flexibility and strong risk control measures to adapt to market conditions. We believe that in the year ahead, we can achieve healthy growth through prudent and stable management and also enhance shareholder value and returns to our investors.



Mr. Bi Mingjian  
Chief Executive Officer  
March 29, 2016

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# Definitions

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

|  |  |
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| “Articles of Association”                | the articles of association of the Company (as amended)  |
| “Associate(s)”                           | has the meaning ascribed thereto under the Listing Rules   |
| “Basic and diluted earnings per share”   | (Net profit attributable to shareholders/equity holders of the Company and holders of other equity instruments - accumulated interest for holders of perpetual subordinated bonds)/Weighted average number of ordinary shares in issue |
| “Board” or “Board of Directors”          | the board of directors of the Company  |
| “CG Code” or “Corporate Governance Code” | Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules  |
| “China Investment Consulting”            | China Investment Consulting Co., Ltd.* (中國投資諮詢有限責任公司), a company incorporated in the PRC in March 1986 and a wholly owned subsidiary of Jianyin Investment and a Shareholder of our Company  |
| “CICC Fund Management”                   | CICC Fund Management Co., Ltd* (中金基金管理有限公司), a company incorporated in the PRC in February 2014 and a wholly owned subsidiary of our Company   |
| “CICC Futures”                           | CICC Futures Co., Ltd., a wholly owned subsidiary of our Company which was known as Fortune Futures before acquired by our Company in 2015   |
| “CICC HK AM”                             | China International Capital Corporation Hong Kong Asset Management Limited (中國國際金融香港資產管理有限公司), a company incorporated in Hong Kong in December 2005 and a wholly owned subsidiary of CICC Hong Kong                                    |
| “CICC HK Futures”                        | China International Capital Corporation Hong Kong Futures Limited (中國國際金融香港期貨有限公司), a company incorporated in Hong Kong in August 2010 and a wholly owned subsidiary of CICC Hong Kong   |
| “CICC HK Securities”                     | China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), a company incorporated in Hong Kong in March 1998 and a wholly owned subsidiary of CICC Hong Kong   |
| “CICC Hong Kong”                         | China International Capital Corporation (Hong Kong) Limited (中國國際金融(香港)有限公司), a company incorporated in Hong Kong in April 1997 and a wholly owned subsidiary of our Company   |

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| “CICC Jiacheng”                     | CICC Jiacheng Investment Management Corporation Limited* (中金佳成投資管理有限公司), a company incorporated in the PRC in October 2007 and a wholly owned subsidiary of our Company  |
| “CICC Zhide”                        | CICC Zhide Capital Corporation Limited (中金智德股權投資管理有限公司), a company incorporated in the PRC in May 2015 and a wholly owned subsidiary of our Company  |
| “CICC Pucheng”                      | CICC Pucheng Investment Co., Ltd., a company incorporated in the PRC in April 2012 and a wholly owned subsidiary of our Company  |
| “CICC Singapore”                    | China International Capital Corporation (Singapore) Pte. Limited, a company incorporated in Singapore in July 2008 and a wholly owned subsidiary of our Company  |
| “CICC UK”                           | China International Capital Corporation (UK) Limited, a company incorporated in the United Kingdom in August 2009 and a wholly owned subsidiary of our Company   |
| “CICC US Securities”                | CICC US Securities Inc., a company incorporated in the United States in August 2005 and a wholly owned subsidiary of our Company   |
| “Company”, “our Company”, or “CICC” | China International Capital Corporation Limited (中國國際金融股份有限公司), a joint stock limited company incorporated in the PRC converted from China International Capital Corporation Limited (中國國際金融有限公司), a Chinese-foreign equity joint venture, on June 1, 2015 |
| “Company Law” or “PRC Company Law”  | the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time  |
| “CSRC”                              | the China Securities Regulatory Commission* (中國證券監督管理委員會)  |
| “Directors”                         | directors of the Company   |
| “Domestic Share(s)”                 | issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB  |
| “FICC”                              | fixed income, commodities and currencies   |
| “Fortune Futures”                   | Fortune Futures Co., Ltd.* (財富期貨有限公司), a company incorporated in the PRC in 2004 which was wholly acquired by our Company in 2015 and renamed as CICC Futures thereafter   |
| “Gearing ratio”                     | (total liabilities-accounts payable to brokerage clients)/(total assets-accounts payable to brokerage clients)   |
| “GIC”                               | GIC Private Limited, a company incorporated in Singapore in May 1981 and a Shareholder of our Company  |
| “Great Eastern”                     | The Great Eastern Life Assurance Company Limited, a company incorporated in Singapore in 1908 and a Shareholder of our Company   |

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| “Group” or “we”                              | the Company and its subsidiaries (or with reference to the context, the company and anyone or more of its subsidiaries)   |
| “H Share(s)”                                 | ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK dollars   |
| “HK\$” or “HK dollars”                       | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Hong Kong”                                  | the Hong Kong Special Administrative Region of the PRC  |
| “Hong Kong Stock Exchange”                   | The Stock Exchange of Hong Kong Limited, the wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited  |
| “Huijin”                                     | Central Huijin Investment Ltd.* (中央匯金投資有限責任公司), a wholly state-owned company ultimately owned by the PRC Government, which directly and indirectly held approximately 28.57% of the equity interests in our Company   |
| “I&G”  | China National Investment and Guaranty Corporation* (中國投融資擔保股份有限公司), a company incorporated in the PRC in 1993 and a Shareholder of our Company   |
| “IFRSs”                                      | the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC) |
| “Jiayin Investment”                          | China Jiayin Investment Ltd.* (中國建銀投資有限責任公司), a company incorporated in the PRC in June 1986 and a wholly owned subsidiary of Huijin and a Shareholder of our Company   |
| “JIC Investment”                             | JIC Investment Co., Ltd. (建投投資有限責任公司), a company incorporated in the PRC in October 2012 and a wholly owned subsidiary of Jiayin Investment and a Shareholder of our Company  |
| “KKR Institutions Investments”               | KKR Institutions Investments L.P., a limited partnership established in Delaware on February 8, 2010 and a Shareholder of our Company   |
| “Latest Practicable Date”                    | March 25, 2016  |
| “Listing Date”                               | the date on which our H Shares were listed and trading has commenced on the Hong Kong Stock Exchange, being November 9, 2015  |
| “Listing Rules” or “Hong Kong Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)   |
| “Mingly”                                     | Mingly Corporation, a company incorporated in Cayman Islands, and registered in Hong Kong in 1988 and a Shareholder of our Company  |
| “Ministry of Finance”                        | the Ministry of Finance of the PRC* (中華人民共和國財政部)  |
| “Model Code”                                 | the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules   |

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| “NASDAQ”                   | National Association of Securities Dealers Automated Quotations, an US stock exchange  |
| “Net capital”              | Net capital refers to net assets after risk adjustments on certain types of assets as defined in the Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) |
| “Operating leverage ratio” | (total assets – account payable to brokerage clients)/equity attributable to shareholders/equity holders of the Company and holders of other equity instruments                                  |
| “PBOC”                     | the People’s Bank of China (中國人民銀行), the central bank of the PRC   |
| “PRC” or “China”           | the People’s Republic of China, and for the purposes of this annual report, excluding Hong Kong, Macau Special Administrative Region and Taiwan region   |
| “PRC Accounting Standards” | Accounting Standards for Business Enterprises of the PRC   |
| “PRC Government”           | the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities               |
| “Prospectus”               | the prospectus dated October 27, 2015 issued in relation to the listing of our H Shares on the main board of the Hong Kong Stock Exchange  |
| “Reporting Period”         | from the Listing Date to December 31, 2015   |
| “RMB” or “Renminbi”        | Renminbi, the lawful currency of the PRC   |
| “SAC”                      | the Securities Association of China* (中國證券業協會)   |
| “SFC”                      | the Securities and Futures Commission of Hong Kong   |
| “SFO”                      | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time   |
| “Shanghai Stock Exchange”  | the Shanghai Stock Exchange (上海證券交易所)  |
| “Shareholder(s)”           | holder(s) of the Share(s)  |
| “Share(s)”                 | ordinary shares in the capital of our Company with a nominal value of RMB1.00 each   |
| “Shenzhen Stock Exchange”  | the Shenzhen Stock Exchange (深圳證券交易所)  |
| “State Council”            | the State Council of the PRC* (中華人民共和國國務院)   |
| “Supervisors”              | supervisors of the Company   |
| “Supervisory Committee”    | the supervisory committee of the Company   |
| “TPG”                      | TPG Asia V Delaware, L.P., a limited partnership established in the United States in 2009 and a Shareholder of our Company   |
| “United Kingdom” or “UK”   | the United Kingdom of Great Britain and Northern Ireland   |

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| “United States” or “U.S.”<br>or “USA” or “US” | the United States of America, its territories, its possessions and all areas subject to its jurisdiction  |
| “US\$” or “U.S. dollars”<br>or “USD”          | United States dollars, the lawful currency of the United States   |
| “Weighted average return<br>on net assets”    | Net profit attributable to shareholders/ equity holders of the Company / weighted average of equity attributable to shareholder/equity holders of the Company |
| “%”   | per cent  |

*Notes:*

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

*For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the report in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with “\*” and are provided for identification purposes only.*



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# Significant Risk Warnings

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The business operations of the Company are closely related to the macro economy, monetary policy and market conditions in China and other jurisdictions where our businesses are operated. Any fluctuation in domestic and international capital markets will affect the Company's business operations.

The risks that the Company faced mainly include: strategic risk arising from the adjustment of the strategy plan of the Company under the changes in domestic and overseas capital markets; business management risk arising from changes of business models, development of innovative businesses and application of new technologies; market risk caused by changes in the fair value of the financial assets resulting from fluctuations in equity prices, interest rates, credit spreads, exchange rates and commodity prices, etc; credit risk arising from defaults or deterioration in creditworthiness of counterparties, borrowers and security issuers; liquidity risk arising from failure of normal business operation; repayment of due indebtedness or performance of payment obligations due to shortage of funds; operational risk arising from failed or defective internal procedures or IT systems, human misconduct and external events; compliance risk arising from legal sanction, regulatory actions, loss of property or damage

to our reputation, to which the Company is to be subject, imposed on or suffered from as a result of violation of laws, regulations, self-regulatory rules or internal regulations and rules of the Company during operation and management activities or due to employee behavior; legal risk for which the Company may suffer from economic loss or loss of reputation arising from breach of contracts, disputes in respect of infringement, litigations or other legal disputes; and reputational risk caused by negative comments on the Company due to operation, management and other activities or external issues.

The Company will work on its organizational structure, management mechanism, IT system, risk indicator framework, talents cultivation and risks response mechanism to prevent and manage the above mentioned risks. In the meanwhile, the Company will keep on optimizing its business processes to control operational risks and pay special focus on managing risks arising from innovative businesses.

For detailed analysis and measures taken by the Company in respect of the risks, please refer to the content in *Management Discussion and Analysis – Risks Management*.



CICC  
中金公司



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# Company Basic Profile

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## I. Overview

|  |  |
|--|--|
| <b>Name in Chinese:</b>                          | 中國國際金融股份有限公司   |
| <b>Name in English:</b>                          | China International Capital Corporation Limited  |
| <b>Legal representative:</b>                     | Ding Xuedong   |
| <b>Chairman:</b>                                 | Ding Xuedong   |
| <b>Chief Executive Officer:</b>                  | Bi Mingjian  |
| <b>Registered capital:</b>                       | RMB2,306,669,000   |
| <b>Headquarters in the PRC:</b>                  |  |
| Registered address                               | 27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC |
| Office address                                   | 27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC |
| Company website                                  | <a href="http://www.cicc.com">http://www.cicc.com</a>  |
| E-mail   | Investorrelations@cicc.com.cn  |
| <b>Principal place of business in Hong Kong:</b> | 29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong                  |
| <b>Secretary to the Board:</b>                   | Wu Bo  |
| Address  | 27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC |
| Telephone  | +86-10-65051166  |
| Facsimile  | +86-10-65051156  |
| <b>Joint Company Secretaries:</b>                | Wu Bo, Zhou Jiaying  |
| <b>Authorized Representatives:</b>               | Bi Mingjian, Zhou Jiaying  |
| <b>Statutory Auditors engaged by the Company</b> |  |
| Domestic accounting firm:                        | KPMG Huazhen LLP   |
| International accounting firm:                   | KPMG   |

### Change in registration details in 2015:

On March 16, 2015, the registration authority of the Company was changed from State Administration of Industry and Commerce to Beijing Administration of Industry and Commerce

On June 1, 2015, the Company was converted to a joint stock limited company, and the name of the Company was changed to “China International Capital Corporation Limited” (中國國際金融股份有限公司)

On July 30, 2015, an additional item “Custodian Business for Securities Investment Fund” was added to the business scope of the Company

## II. Introduction to the Company

### History

Our Company, China's first joint venture investment bank, was established on July 31, 1995 with the name China International Capital Corporation Limited (中國國際金融有限公司) in the PRC as approved by the PBOC with a registered capital of US\$100 million. The promoters of our Company were the former People's Construction Bank of China (中國人民建設銀行), Morgan Stanley & Co. Incorporated (摩根士丹利國際公司), I&G (then known as China National Investment & Guaranty Corporation (中國經濟技術投資擔保公司)), GIC (新加坡政府投資有限公司) (then known as Government of Singapore Investment Corporation Pte. Ltd. (新加坡政府投資公司)) and Mingly (名力集團控股有限公司) (then known as The Mingly Corporation Limited (名力集團)).

In November 2001, the foreign promoters of our Company, namely Morgan Stanley & Co. Incorporated, GIC and Mingly, transferred in aggregate 1% equity interest in our Company to the Chinese promoters, namely the former People's Construction Bank of China and I&G (then known as China National Investment & Guaranty Corporation (中國經濟技術投資擔保公司)) for an aggregate consideration of US\$2,736,026.

In September 2004, the former People's Construction Bank of China was restructured into Jianyin Investment and China Construction Bank Corporation (中國建設銀行股份有限公司), following which Jianyin Investment succeeded the entire 43.35% equity interest in our Company held by the former People's Construction Bank of China, which was in turn allocated to Huijin for nil consideration in August 2010.

In November 2010, the entire 34.30% equity interest in our Company held by Morgan Stanley & Co. Incorporated was transferred to TPG, KKR Institutions Investments, GIC and Great Eastern as to 10.30%, 10.00%, 9.00% and 5.00% respectively.

In April 2015, Huijin allocated in aggregate 0.18% equity interest in our Company to three of its wholly-owned subsidiaries, namely, Jianyin Investment, JIC Investment and China Investment Consulting equally for nil consideration.

On June 1, 2015, our Company was converted into a joint stock company with limited liability with the name China International Capital Corporation

Limited (中國國際金融股份有限公司). Huijin, Jianyin Investment, JIC Investment, China Investment Consulting, GIC, TPG, KKR Institutions Investments, I&G, Mingly and Great Eastern were the promoters. Upon the conversion, our Company had a total share capital of RMB1,667,473,000 comprising 1,667,473,000 shares with nominal value of RMB1.00 each, which were subscribed by all the promoters with reference to the appraisal report by China Enterprise Appraisals Co., Ltd. as of December 31, 2014.

The Company was successfully listed on the Hong Kong Stock Exchange in November, 2015 and initially issued 555,824,000 H Shares, and further issued 83,372,000 H Shares upon the exercise of over-allotment option. The 63,919,600 Domestic Shares held by Huijin, Jianyin Investment, JIC Investment and China Investment Consulting in aggregate were converted into H Shares on a one-for-one basis and sold subsequently, and all proceeds were transferred to the National Council for Social Security Fund of the PRC. GIC, TPG, KKR Institutions Investments, Mingly and Great Eastern converted 817,061,769 unlisted foreign shares in aggregate into H Shares on a one-for-one basis. After the completion of the global offering and the exercise of the over-allotment option, the total number of issued shares of the Company increased from 1,667,473,000 Shares to 2,306,669,000 Shares.

The Headquarter of the Company is in Beijing and as at December 31, 2015, the Company has established branch companies in Shanghai, Shenzhen and Shanghai Free Trade Zone, with 20 securities branches located in 18 cities including, among others, Beijing, Shanghai and Shenzhen, and has established the following subsidiaries: CICC Jiacheng, CICC Pucheng and CICC Fund Management. As the scope of business continues to expand, the Company has also actively ventured into overseas markets and has established subsidiaries in New York, Singapore and London in addition to Hong Kong, laying a solid foundation for the Company to become a China-based global investment bank.

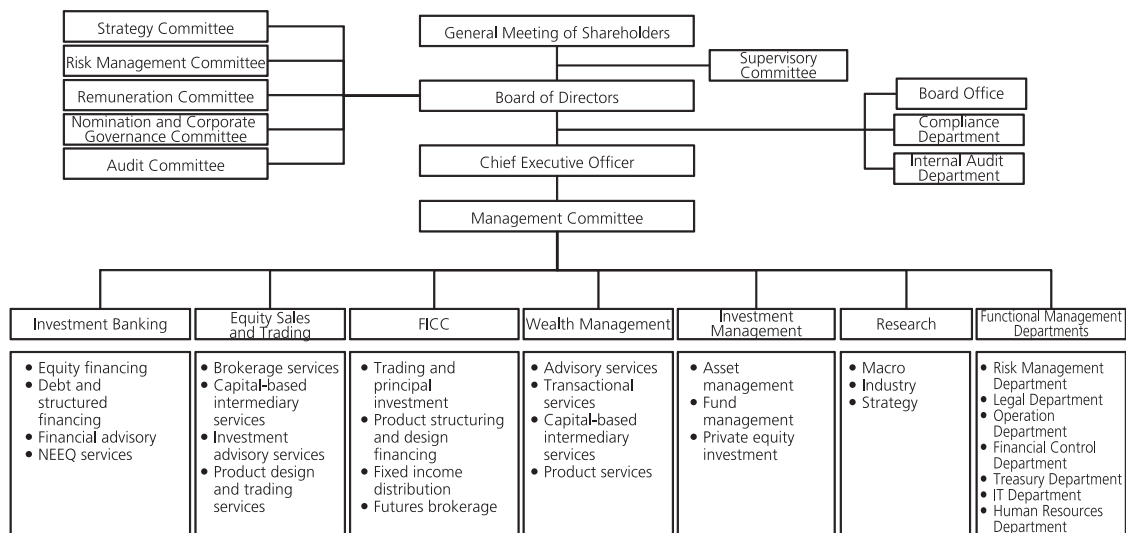
After 20 years of unremitting efforts, the Company has achieved remarkable progress in business development and transformed into an investment bank with an outstanding team, solid client base and excellent brand. The Company was qualified as a member of the Shanghai Stock Exchange in 1996. The Company obtained business qualification for entrusted investment management in 2002.

The Company obtained approval to become one of the first batch of sponsor institutions in 2004. In addition, the Company was designated by the NSSF as an investment manager in 2004, and was the first securities firm to obtain QDII qualification in 2007. CICC US Securities was licensed by the US Financial Industry Regulatory Authority and the US Securities and Exchange Commission in 2007; the Company was among the first batch of securities companies to obtain approval to commence private equity investment under the pilot scheme during the same year. CICC Singapore was licensed by the Monetary Authority of Singapore in 2008. In 2010, CICC UK was licensed by the UK Financial Services Authority. The Company also obtained approval during the same year to provide introducing brokerage business to futures companies and conduct margin financing and securities lending business, and became a market maker in the national interbank bond market. In 2011, CICC Hong Kong was among the first batch of securities having obtained approval to commence RQFII business under pilot scheme, CICC HK Futures obtained a license to operate the futures business, and CICC UK was qualified as a member of the London Stock Exchange. In 2012, the Company obtained the business qualification for quotation and repurchase business of collateralized bonds and margin

refinancing business qualification, and CICC HK Securities obtained the license for leveraged foreign exchange trading during the same year. In 2013, the Company obtained business qualification for over-the-counter derivatives, qualification for over-the-counter trading business, business qualification as witness in account opening, qualification for stock collateralized repurchase business and agency license for financial products. During the same year, CICC US Securities was qualified to operate its own research report issuance business, and CICC HK AM obtained QFII qualification. In February 2014, CICC Fund Management was established and CICC became the first domestic securities company which wholly owns a fund company. In 2015, the Company obtained several business qualifications such as qualifications for internet finance business, integrated custodian business for private funds and custodian business for securities investment funds. The Company's business landscape was further improved.

In recent years, the Company has focused on enhancing its core competitiveness, accelerating investments in innovative business, further developing its offshore business, endeavoring to realize a balanced principal business structure and striving to become a world class integrated full-service financial institution with global influence.

### Corporate Organization and Structure



\*Note: The internal audit department is independent of the business departments of the Company and will report directly to the Audit Committee of the Board.

# Major Honors Awarded in 2015

## Awards Sponsor: Global Finance

Stars of China 2015

- Best Investment Bank in China
- Best Equity Underwriting in China
- Best for M&A in China

## Awards Sponsor: Finance Asia

Achievement Awards 2015

- Best IPO: CGN Power's \$3.6 billion HK IPO
- Most Innovative Deal: RMB4 billion 3-Yr Baosteel Exchangeable Bond Public Offering

## Awards Sponsor: The Asset

Triple A Country Awards 2015

- China Region
  - Best Corporate and Institutional Bank – Domestic
  - Best Equity House
  - Best M&A House
- Best Deals in China
  - Deal of the Year/Best Bond Deal: China Life Insurance US\$1.28 billion 60NC5 Core Tier 2 Capital Securities
  - Best Equity Deal: 3SBio Inc. US\$818 million IPO
  - Best M&A Deal: Merger of CSR Corporation and China CNR Corporation

Triple A Regional Deal Awards 2015

- Best Domestic M&A: Merger of CSR Corporation and China CNR Corporation
- Best Bond: China Life Insurance US\$1.28 billion 60NC5 Core Tier 2 Capital Securities
- Best Block Trade: CAR Inc. US\$401 million Block Trade





### **Awards Sponsor: IFR Asia**

#### 2015 Regional Awards

- Structured Equity Issue: Baosteel Group's RMB4 billion Exchangeable Bond

#### 2015 Country Awards

- Hong Kong Equity Issue: China International Capital Corp's HK\$7.22 billion IPO

### **Awards Sponsor: Institutional Investor**

#### 2015 All-China Research Team

- Leaders Board (Rank 1)

#### 2015 All-China Sales Team

- Leaders Board (Rank 1)

Since its incorporation in 1995, CICC has won honors and awards in events organized by domestic and foreign media: such as Best Investment Bank in China, Best Sales Service Team and Most Influential Research Institution by leveraging on its profound and professional knowledge and quality customer services in economies, industries, laws and regulations.

**Awards Sponsor: Asiamoney**

## Brokers Poll 2015

- China (A&B Shares)
  - Best Overall Combined Research & Sales
  - Best Local Brokerage
  - Best for Overall Country Research
  - Best Overall Sales Services
  - Best Execution
  - Best in Sales Trading
- China (H-shares, Red chips, P-chips)
  - Best Local Brokerage
  - Best for Overall Country Research
  - Best Overall Sales Services
  - Best Execution
  - Best in Sales Trading
- Hong Kong (non H-shares, other)
  - Best Execution
  - Best in Sales Trading
- Hedge Fund Services (Asia)
  - Best Bespoke Research
  - Best Trading Execution –Derivatives
- Prime Broking (Asia)
  - Best Product Innovation for Prime Broking
  - Best Pricing for Prime Broking
  - Best Risk Management Advisory

## Fixed Income Poll 2015

- China
  - Overall Best for Interest Rate
  - Best for Interest Rate Research
  - Best for Interest Rate Product and Sales

**Awards Sponsor: Thomason Reuters**

## StarMine Analyst Awards 2015 (Asia)

- Top Most Award-Winning Brokers (Rank 2)

**Awards Sponsor: Securities Times**

## Best Investment Banks in China Awards 2015

- Best Full-Service Investment Bank

## Best Wealth Management Institution in China Awards 2015

- Best Wealth Management Institution in China
- Best Quantitative Investment Team in China
- Top 10 Securities Brokerage Branches
  - Beijing Jianguomenwai Avenue Branch of CICC

**Awards Sponsor: JRJ.com**

## 2015 Lead the Chinese Advance Awards

- Best Brand in Securities Industry (CICC)
- Best Financial Service (CICC Goldenet)

**Awards Sponsor: Capital Week**

## 14th Vision Cup Global Macroeconomic Forecast

- Best Global Macroeconomic Forecast

## 2015 9th Crystal Ball Analysts Awards

- Overall List, Public Fund Sector & Private Fund Sector
  - Best Bond Research

**Awards Sponsor: Hexun.com**

## 12th China's Financial Annual Champion Awards

- Best Securities Research (CICC)
- Best Strategy Research

**Awards Sponsor: China Securities Journal**

## 2014 Best Asset Management Products Awards

- Best Collection 3-years Asset Management Plan:CICC Anxin Huibao

**Awards Sponsor: China Venture**

## 2014 China Venture Awards

- Top 10 Best PE of Investment Bank in China: CICC Jiacheng (Rank 3)
- Top 5 Best Investment Bank of Chinese M&A Market (Domestic):CICC
- Top 5 Best Investment Bank of Chinese M&A Market (Cross-border):CICC
- Top 5 Best Investment Bank of Chinese IPO Market (Domestic):CICC
- Top 5 Best Investment Bank of Chinese IPO Market (Cross-border):CICC



# Summary of Accounting Data and Financial Indicators

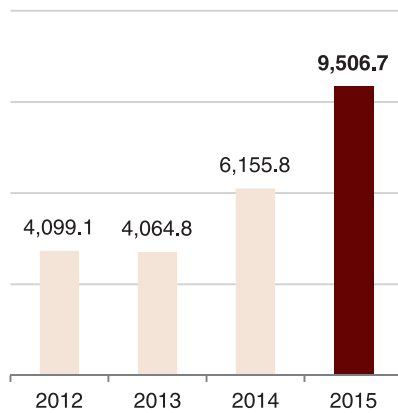
## I. Major Accounting Data and Financial Indicators

| Items  | 2015      | 2014    | Change<br>year-on-year | 2013      | 2012    |
|--|-----------|---------|------------------------|-----------|---------|
| <b>Operating results (RMB in million)</b>  |           |         |                        |           |         |
| Total revenue and other income   | 9,506.7   | 6,155.8 | 54.4%                  | 4,064.8   | 4,099.1 |
| Total expenses   | 6,989.8   | 4,717.7 | 48.2%                  | 3,612.2   | 3,684.0 |
| Profit before income tax   | 2,620.6   | 1,505.9 | 74.0%                  | 501.5     | 457.3   |
| Net profit for the year – attributable to shareholders/equity holders of the Company and holders of other equity instruments | 1,952.6   | 1,118.5 | 74.6%                  | 370.1     | 307.7   |
| Net cash (used in)/generated from operating activities   | (5,226.6) | 1,042.1 | N/A                    | (2,539.5) | 956.3   |
| <b>Earnings per share (RMB/share)</b>  |           |         |                        |           |         |
| Basic and diluted earnings per share   | 1.12      | 0.67    | 67.2%                  | 0.22      | 0.18    |
| <b>Profitability ratios</b>  |           |         |                        |           |         |
| Weighted average return on net assets  | 20.4%     | 15.1%   | 5.3%                   | 5.5%      | 4.8%    |

| Items   | December 31,<br>2015 | December 31,<br>2014 | Change<br>year-on-year | December 31,<br>2013 | December 31,<br>2012 |
|---|----------------------|----------------------|------------------------|----------------------|----------------------|
| <b>Financial position (RMB in million)</b>  |                      |                      |                        |                      |                      |
| Total assets  | 94,108.8             | 52,700.1             | 78.6%                  | 32,834.5             | 28,600.6             |
| Total liabilities   | 77,666.8             | 44,707.9             | 73.7%                  | 25,967.7             | 22,053.7             |
| Total equity attributable to shareholders/equity holders of the Company and holders of other equity instruments | 16,442.0             | 7,992.2              | 105.7%                 | 6,866.8              | 6,546.8              |
| Accounts payable to brokerage clients   | 25,218.1             | 15,054.3             | 67.5%                  | 5,706.2              | 7,816.5              |
| Total share capital (in million shares)   | 2,306.7              | 1,667.5              | 38.3%                  | 1,667.5              | 1,667.5              |
| Net assets per share attributable to shareholders/equity holders of the Company (RMB/share)                     | 6.7                  | 4.8                  | 39.6%                  | 4.1                  | 3.9                  |
| Gearing ratio (%)   | 76.1%                | 78.8%                | (2.7%)                 | 74.7%                | 68.5%                |

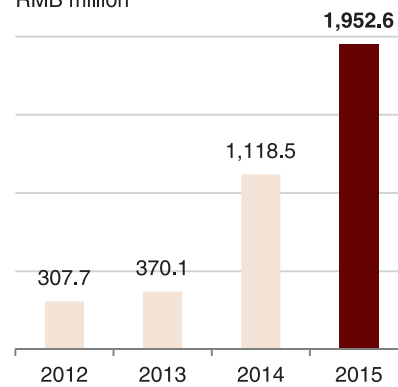
### Total Revenue and Other Income

RMB million

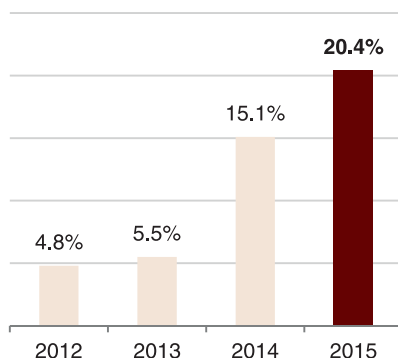


### Net Profit Attributable to Shareholders/Equity Holders of the Company and Holders of Other Equity Instruments

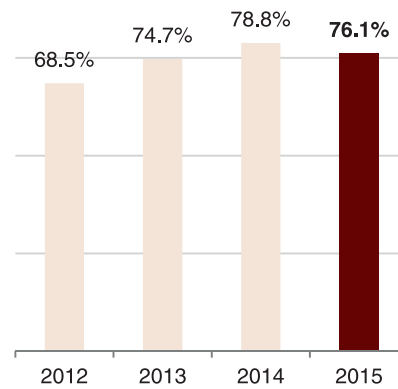
RMB million



### Weighted average return on net assets

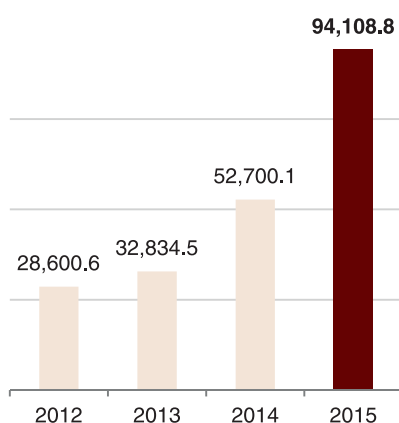


### Gearing ratio

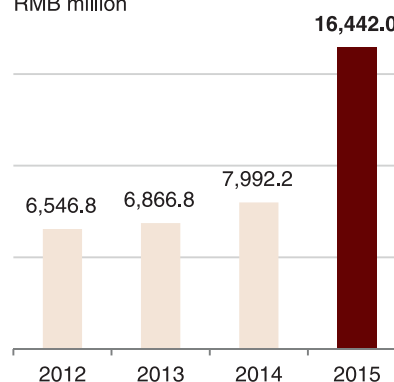


**Total Assets**

RMB million

**Total Equity Attributable to Shareholders/Equity Holders of the Company and Holders of Other Equity Instruments**

RMB million

**II. Differences of Accounting Data Under Domestic and Foreign Accounting Standards**

In terms of the Company's net profits for 2015 and 2014 and the net assets as of December 31, 2015 and December 31, 2014, there's no difference between such data presented in the consolidated financial statements prepared in accordance with IFRSs and the consolidated financial statements prepared in accordance with the PRC Accounting Standards.

**III. Net Capital and Relevant Risk Control Indicators**

As at December 31, 2015, the net capital of the Company was RMB10,980.9 million, representing an increase of 141.8% as compared to RMB4,540.6 million as at December 31, 2014. In 2015, the Company's net capital and other risk control indicators all met regulatory requirements.

| Items   | December 31, 2015 | December 31, 2014 |
|---|-------------------|-------------------|
| Net capital (RMB million)                                   | 10,980.9          | 4,540.6           |
| Net capital/sum of all risk capital reserves                | 897.5%            | 551.7%            |
| Net capital/net assets                                      | 69.2%             | 78.2%             |
| Net capital/liabilities                                     | 37.6%             | 27.1%             |
| Net assets/liabilities                                      | 54.4%             | 34.7%             |
| Value of equity securities and derivatives held/net capital | 27.5%             | 30.3%             |
| Value of fixed-income securities held/net capital           | 203.7%            | 210.1%            |

# Management Discussion and Analysis

## I. Corporate Strategies and Operations

### Market Environment

A new round of economic and financial reforms and liberalization in China will expand the direct financing market, promote the flows of capital across borders and enhance the overall role of securities companies in the financial market.

**Financial disintermediation:** In the “13th Five-Year Plan” period, the government plans to strengthen the investment functions of the multi-tier capital markets and optimize the corporate debt and equity financing structure, in order to significantly raise the proportion of direct financing, in particular equity financing. It is expected that from 2014 to 2020, the percentage of direct financing by non-financial corporations to aggregate financing will rise from 17.2% to approximately 25%, while the balance of the bond market will increase to approximately 100% of GDP. Financial disintermediation is expected to expand the size of the Chinese capital markets, and allow the market to play a decisive role in financial resources allocation.

**Wealth accumulation:** According to the IMF statistics, China’s per capita GDP exceeded USD8,000 in 2015 and will exceed USD10,000 by 2018. Along with the increasing people’s income expansion of the emerging middle and upper class and the continued accumulation of residents’ personal wealth in China are expected to boost the demand for savings alternative products and comprehensive investment and financing services, specialized securities investments and push forward the transformation of securities houses.



The current market-oriented regulatory reforms in the PRC are expected to lead to further disintermediation of the financial market, increase the scale and optimize the structure of the capital markets in China.

**Economic transition:** To further optimize the corporate governance structure and operating efficiency of SOEs, the Chinese government is actively pushing forward a new round of SOE reforms through restructuring, introducing strategic investors or accessing to the capital markets. The quality of SOEs is expected to improve as a result, and SOEs will become quality targets for asset allocation. In the meantime, the rising of the new economy will boost new financing needs. The government will further increase financial support for innovation-driven national development strategies, and broaden the financing sources for technological innovation and development.



**Capital account liberalization:** RMB joining the SDR basket marks a major step towards RMB internationalization. The government is expected to leverage this opportunity to carry forward financial market reform, including the exchange rate formation mechanism improvement and further capital account liberalization. Recently, the government has put forward initiatives, including the promotion of “One Belt, One Road”, raising of the QFII/RQFII caps, and potential launch of the Shenzhen-Hong Kong Stock Connect following the Shanghai-Hong Kong Stock Connect, to promote the opening of the capital markets and connectivity between financial markets. As such, the demand for cross-border investment and financing activities is expected to ramp up, in more diverse forms and greater volumes.

### Landscape of the Industry

With the current level of economic development and the steering of a new round of reform policies, the capital markets are entering into a new stage of development, and the securities industry is likely to realize rapid growth. Meanwhile, the competitive landscape of the securities industry in China has been in constant change and it is facing a series of challenges, including, among others, intensive competition brought about by homogeneous products and services, downward pressure on commission rates for channel-based business, threat of mixed business competition caused by relaxation of licensing in the securities industry, and accelerated change in the traditional business model of securities companies due to the boom of internet finance in China.

The above changes in the competitive landscape of the industry have led to higher requirements on the innovation capability, capital strength and level of service of securities companies. Facing increasing new demands from customers, securities companies shall continuously enhance their ability to offer diversified and sophisticated products and services.

**Sophisticated Products:** With the needs for financing and financial services becoming more diversified and sophisticated, a number of innovative products, such as OTC derivatives, stocks-based reverse REPOs, structured notes, SME private placement bonds and securitization products, have been launched to meet clients’ specific demands in addition to the standard products.

**High-end Services:** In the past few years, the wealth of Chinese citizens piled up rapidly, accompanied with an enhanced awareness of wealth management, bringing about huge room for high-end wealth management services. Institutional investors also have a strong demand for value-added services and customized structured products.

**Capital-based Intermediary Business:** As the investors’ demand for financing and liquidity increases and the regulatory environment gradually relaxes, the capital-based intermediary business, such as margin financing and securities lending, stocks-based reverse REPOs, total return swaps, market-making for the New Third Board (NEEQ), ETF options and bonds as well as the issuance of structured notes, is expected to be further developed.

**Cross-border Business:** Benefiting from the internationalization of Renminbi and the further opening up of the Chinese capital markets, cross-border business has grown significantly, evidenced by the developments in the areas including the offshore listing of PRC-based companies and their outbound investment, the potential investment and financing of multinational corporations in the Chinese capital markets, and the brokerage business opportunities created by Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

## Development Strategies

Our strategic goal is to establish ourselves as a China-headquartered, internationally renowned full service investment bank, towards which we shall focus on both organic growth and potential M&A opportunities, reinforce our advantages in traditional business, continue to expand client base, bring forward transition toward capital-based business, and increase investment in mid-and-back offices, to improve quality, expand scale and operate soundly.

## Business Plans

In order to realize the Company's development strategies, our work plans for 2016 are: strengthen CICC's franchise and leadership in the high-end market; offer more comprehensive value-added services to an enlarged client base; sharpen our focus on capital-based business and product innovation; strengthen our cross-border advantages and capture market opportunities; further develop wealth management and investment management business to ensure sustained growth; accelerate the construction of middle and back-office functions and make it an essential component of our core competitiveness; and actively explore M&A opportunities to expand rapidly.

## Funding Requirement

The Company has widened its financing channels through listing. In the future, we will duly conduct further financing by various ways in accordance with our business development needs in order to match with the requirements of the Company's strategic goals, and in turn, to better capture market trends and development opportunities.

## II. Analysis of Principal Business

### Investment Banking

#### *Equity Financing*

##### Market Environment

In 2015, equity financing activities in the A Share and Hong Kong stock markets remained active. In 2015, the size of equity financing in the A Share market reached RMB949,695 million, representing a year-on-year increase of 89.1%. Of which, the size of the total proceeds from IPOs reached RMB157,086 million, representing a year-on-year increase of 105.1%, and the size of funds raised from follow-on offerings reached RMB792,609 million, representing a year-on-year increase of 86.2%.

In 2015, the size of equity financing for PRC-based Hong Kong stocks reached USD72,987 million, representing a year-on-year increase of 35.2%. Of which, the size of funds raised from IPOs reached USD31,342 million, representing a year-on-year increase of 21.8%, and the size of the total proceeds from follow-on offerings reached USD41,646 million, representing a year-on-year increase of 47.4%.

##### Actions and Achievements

In order to fully capture development opportunities in investment banking, the Company took proactive actions: to on the one hand, continuously enhance customer service capabilities, strengthen business cooperation with major clients, and ensure completion of significant equity transactions, and on the other hand, expand the equity teams and increase network coverage on key areas, accelerate the development of medium and small clients and promote strongly the development of the NEEQ business. Meanwhile, following the industrial trend and business development needs, the Company reshuffled the Investment Banking organizational structure, by setting up a number of industrial groups to strengthen business development, and enhance customer service efficiency. Our efforts have achieved remarkable results.

In 2015, we closed eight A Share IPOs acting as lead underwriters, with an aggregate offering amount of RMB4,459 million, representing a year-on-year increase of 83.3%, ten follow-on offerings acting as lead underwriters, with an aggregate offering amount of RMB 23,947 million, representing a year-on-year increase of 119.3%; and four A Share preferential share offering acting as lead underwriters, with an aggregate amount of RMB19,500 million, representing a year-on-year increase of 143.8%.

In 2015, the Company maintained a leading position in Hong Kong equity offerings of PRC-based companies. Among the ten largest IPOs in the Hong Kong market, the Company led five deals which helped further consolidate our competitive advantages in the Hong Kong equity financing market. In 2015, the Company sponsored eight Hong Kong IPOs of PRC-based companies, with an aggregate amount of USD4,249 million, representing a year-on-year decrease of 12.9%, and ten Hong Kong follow-on offerings of PRC-based companies, with an aggregate amount of USD1,606 million, representing a year-on-year increase of 39.1%.

| Item                        | 2015                                   |                 | 2014                                   |                 |
|-----------------------------|--|-----------------|--|-----------------|
|                             | Lead underwriting amount (RMB million) | Number of deals | Lead underwriting amount (RMB million) | Number of deals |
| A Shares                    |  |                 |  |                 |
| IPOs                        | 4,459                                  | 8               | 2,433                                  | 3               |
| Follow-on offerings         | 23,947                                 | 10              | 10,921                                 | 10              |
| Preferential shares         | 19,500                                 | 4               | 8,000                                  | 2               |
| <b>Total</b>                | <b>47,906</b>                          | <b>22</b>       | <b>21,353</b>                          | <b>15</b>       |
| H-share-PRC-based companies |  |                 |  |                 |
| Hong Kong stocks            | (USD million)                          |                 | (USD million)                          |                 |
| IPOs                        | 4,249                                  | 8               | 4,879                                  | 11              |
| Follow-on offerings         | 1,606                                  | 10              | 1,154                                  | 6               |
| <b>Total</b>                | <b>5,855</b>                           | <b>18</b>       | <b>6,033</b>                           | <b>17</b>       |

Note: Data of Hong Kong IPOs by PRC-based companies include the underwriting amount and the number of transactions we sponsored



#### Outlook for 2016

In 2016, for the equity financing business, the Company will continue to consolidate its traditional strengths in blockbuster transactions, and strives to maintain its leading position and enhance its brand influence by integrating resources and increasing investments. In the meantime, we will accelerate the development efforts with regard to emerging industries and medium and small clients, to enhance the coverage over industry leading players, improve network coverage, and further expand market share.

#### Debt and Structured Financing

##### Market Environment

In 2015, after several interest rate cuts by the PBOC and in a relaxed liquidity environment, the PRC bond market continued to grow. Total amount of issuance increased rapidly, bond yields went downward, and the interest spread of various bond products with different credit ratings continued to widen.

##### Actions and Achievements

In 2015, the Company completed 73 offerings of enterprise bond, corporate bond, financial bond, exchangeable bond, MTN (including perpetual MTN), offshore USD bond and asset-backed securities. Among these, the aggregate offering amount of onshore corporate bond offerings led by the Company reached RMB135,273 million, representing a year-on-year increase of 35.7%.

The Company continued to maintain its leadership in bond product innovations with our market position in the areas of exchangeable bonds and MTNs further strengthened. We led the largest onshore exchangeable bond issuance (issuance of RMB5,000 million exchangeable bond by Shanghai Guosheng). Meanwhile, the capacity of the offshore bond team was strengthened to pick up development of offshore USD bond business, and we led the first direct offshore bond issuance by a domestic insurance company (issuance of USD1.28 billion USD bond by China Life).

| Company                                     | Size          | Project Type                | Highlight   |
|---|---------------|-----------------------------|---|
| <b>Onshore</b>                              |               |                             |   |
|   | (RMB million) |                             |   |
| China Construction Third Engineering Bureau | 3,000         | Asset-backed securitisation | The largest onshore asset securitization of engineering receivables                                   |
| Shanghai Guosheng                           | 5,000         | Exchangeable bond           | The largest onshore exchangeable bond offering  |
| Shanghai SASAC                              | 2,000         | Exchangeable bond           | Onshore equity-debt hybrid product with the highest premium on price                                  |
| <b>Offshore</b>                             |               |                             |   |
|   | (USD million) |                             |   |
| China Life                                  | 1,280         | Offshore USD bond           | First direct offshore bond issuance by a domestic insurance company                                   |
| China Overseas                              | 1,500         | Offshore exchangeable bond  | Zero coupon convertible bonds with the highest conversion price premium in Asia (ex Japan) since 2007 |

#### Outlook for 2016

In 2016, the Company will further expand the team capacity and accelerate customer development to grow the bond and structured financing business. Meanwhile, efforts will be made to strengthen its product innovation capabilities, accelerate development of asset-backed securitization and offshore bonds business, and explore possibilities of utilizing capital to expand sources of revenue.

#### *Financial Advisory Services*

##### Market Environment

In 2015, according to Dealogic, 5,479 M&A transactions by PRC-based companies were announced, with an aggregate amount of USD773,105 million, representing a year-on-year increase of 53.9%. Among these transactions, the amount of onshore M&A transactions reached USD614,580 million and the amount of cross-border M&A transactions reached USD158,525 million, both of which recorded new highs. In terms of industries, the top five industries that witnessed the highest transaction amount took place in TMT, consumer healthcare, finance, real estate and public utility industries, which in aggregate accounted for 73.1% of the total. M&A activities of listed companies were active driven by the overwhelming trends of industry consolidation and diversification of operations.

##### Measures and Achievements

In 2015, on the league tables of M&As by PRC-based companies published by Dealogic, the Company was again ranked as the top global financial advisor in terms of transaction amount, with an aggregate amount of USD113,438 million. The Company's leading market position was further strengthened, as we became the first investment bank managing Chinese M&A transactions of over USD100 billion in size.

The Company made early moves to capture the strategic opportunities brought about by SOE reforms. We led and completed a number of blockbuster M&A and restructuring transactions of centrally-owned SOEs and strengthened our leading position in the M&A market. Meanwhile, we actively explored business opportunities from emerging industries and private enterprise clients, and further strengthened our overseas partnership network and closed a number of major strategic investment and cross-border M&A deals.

#### Outlook for 2016

In 2016, the Company will continue to focus on serving our SOE clients. We will keep a close eye on the opportunities arising from the optimization and restructuring of industries, to further strengthen our leading position in major M&A deals of SOEs. Meanwhile, the Company will make further efforts to develop business opportunities relating to major asset restructurings of listed companies. By leveraging on our overseas network and team capabilities, and strengthening cooperation between onshore and offshore teams, we will further increase our involvement and presence in more large-scale cross-border M&A transactions.

#### **Equity Sales And Trading**

##### Market Environment

In the first half of 2015, the PRC stock market rallied strongly benefiting from the structural reorganization of financial assets and reallocation of wealth among citizens. Influx of capital drove the Shanghai Composite Index to go straight up to over 5,000. However, due to crack down on illegal margin financing providers and economic downturn, the stock market experienced significant corrections in the second half of the year, making the market highly volatile throughout the year. In 2015, the highest

average daily trading turnover of stocks in the A Share market and funds surpassed RMB2,000 billion, which recorded a new historical high. Although the trading turnover of stocks and funds in the second half of the year fell significantly with market corrections, the weighted average daily turnover for the full year still recorded RMB1,106 billion, representing a year-on-year increase of 243.9%. Meanwhile, competition was still intense in brokerage commission in the industry, bringing down the average commission rate in 2015 to 5.2bps, representing a decrease of 22% as compared to the end of 2014. As at the end of 2015, the Shanghai Composite Index closed at 3,539.18, representing a year-on-year increase of 9.4%; the Shenzhen Stock Exchange Component Index closed at 12,664.89, representing a year-on-year increase of 15.0%; the CSI 300 Index closed at 3,731.00, representing a year-on-year increase of 5.6%.

In 2015, the Hong Kong stock market receded alongside with overseas and A Share markets after a surge in April, while the trading turnover continued to slide down due to outflow of capital from the PRC and Hong Kong markets. Risk tolerance of clients was hurt, financing capacity in the IPO and block trade market shrunk obviously in the second half of the year. Some investors were facing capital redemption pressure, leading to worsened competition in commission rates among securities firms. As at the end of 2015, the Hang Seng Index closed at 21,914.40, representing a year-on-year decrease of 7.2%; H-shares Index closed at 9,661.03, representing a year-on-year decrease of 19.4%; HSCCI closed at 4,052.12, representing a year-on-year decrease of 6.9%.

#### Actions and Achievements

In 2015, the Equity Sales and Trading business has been transformed from a research-centric brokerage business towards integrated financial services of “sales, products and trading”. The revenue structure was also optimized with more balanced contributions from onshore versus offshore markets, and brokerage versus new product business. Revenue contribution from non-brokerage business in 2013, 2014 and 2015 were 13.6%, 32.6% and 29.0% respectively. Meanwhile, the Equity Sales and Trading business achieved progress in all of the following six areas:

**Global Strategy.** The Company continued to maintain coordinated development of domestic and overseas business and strengthened the global network of PRC, New York, London, Singapore and Hong Kong. More domestic and foreign professionals with many years of industry experience were recruited and more investment was made in the construction of a number of trading and management systems in China and overseas.

**Platform Building.** The Company increased efforts in establishing an integrated service platform to enhance the capacity building of teams, systems, mechanisms and processes of client facilitation related product lines, such as prime brokerage, equity derivatives and synthetic equity financing, with joint efforts from the sales teams and trading teams. The Equity Sales and Trading department also established presence in the Shanghai Free Trade Zone to fully tap into our cross-border advantages.

**Product Business.** The Company actively promoted business transformation and product innovations. We were the first pioneer into areas such as over-the-counter margin financing, individual stock options and basket equity options, and released a number of brand new derivatives products to satisfy the market capitalization management efforts of substantial shareholders. In the overseas markets, diversified transactions and settlement solutions were launched in collaboration with major foreign custodian banks to expand the coverage over stocks in Shanghai-Hong Kong Stock Connect and increase penetration in existing clients, and enhance the influence of our Hong Kong team in the market. Preparations for Shenzhen-Hong Kong Stock Connect were made in the areas of investor education, personnel training and system building. Our Hong Kong block trade team closed deals amounting to USD9,000 million within the year, and basket settlement solutions were launched jointly with offshore investment banks, with our overseas placement capabilities further enhanced.

**Client Service.** The Company focuses on fully discovering the value of core clients and strive to maintain our market share. As at December 31, 2015, we had 177 QFII/RQFII clients, representing 37.6% of the overall market, with an addition of 31 new QFII/RQFII clients during 2015, representing nearly 40% of the overall market. The Company maintained a leading share in the QFII/RQFII market. As at December 31, 2015, we had 2,065 offshore institutional clients, 232 more as compared to the end of 2014.

**Team Building.** The Company has been focused on training of sales personnel with full skill sets to enhance the sales capabilities of existing teams in brokerage business and new product areas, and establish a flexible and effective communication mechanism.

**Honors and Awards.** The Company has been rated as No.1 in major investment research, sales and trading related rankings in the Greater China Region by Institutional Investor for four consecutive years and rated as No.1 in key rankings in China and the Hong Kong region by Asiamoney for 10 consecutive years.

#### Outlook for 2016

In the Equity Sales and Trading business, the Company will focus on strengthening presence among international and institutional clients, continue to build industry leading sales, product, trading, middle-and-back-office teams, enhance mobility of personnel among different teams to increase synergies, establish a number of information and resources collection and distribution platforms at the business level, to provide one-stop high-end comprehensive financial services for customers. The Company will leverage on the advantages of our overseas network to optimize allocation of investment and research resources, continue to increase our market share and influence in the institutional market, assist investors to realize onshore and offshore asset allocation, bring forward the launch of a prime broker service platform, strengthen equity derivative services, expand the scale of new products such as cross-border total return swap and client facilitation, strengthen cross-selling among different regions and product lines, and further enhance our international competitiveness.

## FICC

### Market Environment

In 2015, the bullish PRC bond market in 2014 sustained with an overall decrease in the yield curve for government bonds. Particularly in the second half of the year, the stock market meltdown was followed by an outflux of capital from the stock market to the bond market, which resulted in further downward pressure on the yield curve for bonds. Credit spread was narrowed down to a historical low and the yield curve was flattened.

#### Actions and Achievements

In 2015, the Company actively carried out strategies for the FICC business line, to enrich the sources of profit, expand the client facilitation business, and establish the foundation for more balanced growth. The Company designed customized structured products and solutions for customers. Product sales and trading services were enhanced, and the sales of all types of FICC products increased. In 2015, positive progress has been achieved in the trading and principal investment business, where trading strategies were formulated based on multiple products, multiple markets and various types of trading techniques, and market opportunities were captured on the basis of prudent risk control. Decent investment returns were delivered during the year.

In 2015, upon completion of equity transfer, Fortune Futures became a wholly-owned subsidiary of CICC and was renamed CICC Futures Co., Ltd. The trading volume of CICC Futures experienced a substantial growth in 2015.

#### Outlook for 2016

The Company will continue to improve the FICC business layout. We endeavor to deliver solid returns in trading activities and principal investments, with risks well under control. All types of FICC business will be further strengthened to expand the scope of customized products, enhance the design capabilities for various types of financial products, and provide customized investment, financing and risk management services for customers.

## Wealth Management

#### Market Environment

In 2015, the trading volume in the PRC stock market was still dominated by individual investors, with the number of individual investors increasing rapidly. According to the statistics published by the CSDC among newly opened customer accounts in 2015, individual investors accounted for more than 99%.

With economic development of China, the wealth of citizens accumulated rapidly, and the number of high net worth individuals and quantity of investable assets continued to increase. Demand for high-end, sophisticated and customized professional wealth management services from high net worth population had been increasing over time. Sophisticated financial infrastructure, professional teams, comprehensive products and services, and the capabilities of assisting customers in carrying out onshore and offshore investments and asset allocations, and of providing one-stop wealth management solutions for customers became the key for those looking to win out in the market.

#### Actions and Achievements

As at the end of 2015, the number of wealth management customers reached approximately 26,600, representing a year-on-year increase of 93%. Total assets in customer accounts reached RMB399 billion, representing a year-on-year increase of 85%. Assets per account was approximately RMB15 million.

| Item                              | December 31, 2015 | December 31, 2014 |
|-----------------------------------|-------------------|-------------------|
| Number of customers               | 26,600            | 13,800            |
| Assets of customers (RMB billion) | 399               | 216               |

In 2015, the Company took active measures in response to the volatile fluctuations of the market and the increasingly intensive competition in the industry, while at the same time continued to build up the wealth management platform to prevent operational risk and business risk, and strived to achieve stable development in all business lines. While strengthening the fundamental trading business, the Company steadily grow the capital-based intermediary business to satisfy the diverse financing needs of the customers. In the meantime, the Company is committed to building a one-stop wealth management service platform, by strengthening training of investment consultants, expanding the scope of diverse and customized wealth management advisory services, and fully utilizing our advantages to provide more delicate and quality services to high net worth individuals.

In 2015, by leveraging the strong research coverage of Wealth Management on the product market, the Company maximized the assurance of suitability for customers and matching of products, by maintaining selective with quality products, closely tracking the market, conducting of product research and classification of customer risks, and securing the continuous and effective performance of the follow-up services for customers. In 2015, the total sales of financial products of the Wealth Management business of the Company reached RMB16,438 million, representing a year-on-year increase of 23.1%.

In 2015, the Company continued to bring forward the internet finance business. Leveraging the platform of Golden Net, we increased the coverage of middle class customers. As at December 31, 2015, the number of customers of Golden Net increased to approximately 70,600, representing an increase of 1,039%, as compared to the same period of last year.

#### Outlook for 2016

In 2016, the Company will further define the target customers of the Wealth Management business and better capture customers' needs. We will leverage the opportunities arising from falling interest rates

and increasing demand for allocation of risk assets to realize sound development of the CICC wealth management platform, solidify our market leadership and maintain our brand as the No. 1 wealth management house in China.

The Company will increase scale and maintain growth to capture the opportunities arising from reallocation of assets by high net worth individuals. Efforts will be focused on the recruiting and training of professionals, expansion of network, expansion of coverage on high net worth customers and size of assets under management. Meanwhile, the Company will further reinforce the establishment of a product platform, enhance cooperation among the sales, research and asset management teams, to provide customized products and related investment services for customers, foster global asset allocation capabilities, and develop a diversified product portfolio including cross-border investment products. The Company will further define its overseas development strategies to fully release potential synergies between offshore and onshore products.

## Investment Management

### *Asset Management*

#### Market Environment

Against the backdrop of deeper financial market reforms and continuous accumulation of wealth by Chinese citizens, the asset management business of securities companies in the PRC has been developing rapidly. As at December 31, 2015, the size of assets under management of the asset management segments of domestic securities companies reached RMB11.89 trillion, the majority of which was channel business. Amid ongoing financial market reforms, the asset management business was facing unprecedented opportunities. As a series of policies were released with the market-oriented regulatory reforms to encourage innovation, the controls on the investment scope, permitted products, qualifications of investors and capital constraints for securities companies were further relaxed. With accumulation of wealth

in institutions and individuals, huge demand for investments and financing emerged. Diverse and innovative investment and financing instruments are created driven by the liberalization of interest rates, internationalization of currencies, capitalization of SOEs and securitization of investments. However, a highly volatile market and intensive competition in the asset management industry has also created greater challenges to securities companies.

#### Actions and Achievements

The Asset Management business of the Company is focused on active asset management by designing and providing a wide range of asset management products to onshore and offshore institutional clients and high net worth individuals for the purpose of value appreciation over the long term. Our institutional investors include, enterprise annuity plans, National Social Security Fund (NSSF), insurance companies, commercial banks and finance companies.

To date, the Company has established various lines of business, including collective asset management business, segregated asset management business, pension business (annuities of NSSF and enterprises) and cross-border (QDII, RQFII, QFII and offshore) business. In 2015, the Company actively

captured opportunities for business innovation and breakthrough, and extended the product lines to all asset classes, from stock, bond, fund of fund, index product, hedge fund, derivatives, asset-backed securitization to products in the overseas markets. The Company has a professional team with international background and extensive investment experience, and continues to improve investment processes, risk control practices and operational procedures on an on-going basis.

As at December 31, 2015, the total size of onshore and offshore assets under management of the Company was RMB107,001 million, representing an increase of 23.0% as compared to 2014. Of which the AUM (AUM) of collective asset management products, segregated asset management products (including NSSF and enterprises annuities) and special asset management products stood at RMB7,556 million, RMB90,912 million and RMB8,533 million, respectively. We had 205 products, most of which are under active management, and the AUM of channel-based business such as cooperation between banks and securities firms was only RMB11,012 million, accounting for 10.3%. As at December 31, 2015, the size of the Company's investment advisory business was approximately RMB10 billion.

| Type                                 | Assets Under Management (RMB million) |                   |
|--------------------------------------|---------------------------------------|-------------------|
|                                      | December 31, 2015                     | December 31, 2014 |
| Collective asset management products | 7,556                                 | 8,049             |
| Segregated asset management products | 90,912                                | 78,943            |
| Special asset management products    | 8,533                                 | —                 |
| <b>Total</b>                         | <b>107,001</b>                        | <b>86,993</b>     |

In terms of client mix, the Company's Asset Management business focuses on onshore and offshore institutional clients. In 2015, we witnessed substantial growth in terms of business size, revenue and number of clients. The total amount of assets under management from institutional clients exceeded RMB100,000 million, of which the AUM of corporate annuities and collective pension plans reached RMB51,635 million, accounting for over 50%. The revenue from institutional clients accounted for more than 90% of total revenue and the number of institutional clients exceeded 200.

In the area of product innovation, the Asset Management business of the Company created 10 CAM plans in 2015, increasing the total number of CAM plans to 40.

#### Outlook for 2016

In 2016, the Company will seize the rapid development opportunities of the asset management business to actively develop new clients and enrich the product lines. We aim to build up long-term and stable cooperative relationship with our clients, diversify product lines, and strengthen our offshore asset management capabilities on the basis of in-depth understanding of clients' needs. By leveraging on our excellent brand and high quality customer base, the Company will also look for potential partners to conduct business cooperation in asset management by offering them an attractive platform.

In the coming year, we will adhere to the core values of "Clients First (客户至上)", "Pursuit of perfection (精益求精)" and "Integrity as Foundation (至诚至信)" and capture opportunities for business innovation and breakthrough to realize the long-term stable appreciation of assets of our clients.

#### *Mutual Fund*

##### Market Environment

In 2015, benefiting from the strong rallies in the A Share market, the asset size of mutual funds achieved explosive growth. As at the end of 2015, the total

size of assets under management by domestic mutual funds reached RMB8.4 trillion. With the support of regulatory policies, continuous product innovations have been seen in mutual funds and segregated accounts, significantly enriching the investment alternatives for investors. Breakthroughs have been made in the operational model in the mutual funds industry. Meanwhile, liquidity crisis, more stringent regulations and restrictions on quantitative hedging as a consequence of significant stock market corrections also brought about new challenges to the fund management industry.

##### Actions and Achievements

In 2015, CICC Fund Management significantly strengthened team capacity, by increasing the number of front, middle and back office personnel. All business lines developed steadily, and strong growth has been seen in terms of AUM and revenue.

In 2015, the Company continued to expand the product portfolio of mutual fund by developing new or featured mutual fund products. Currently, our mutual fund portfolio has covered, among others, currencies, bonds, stocks and quantitative products. The Company offers customized investment accounts for institutional and high net worth clients in line with their needs. As at December 31, 2015, the size of assets under management of CICC Fund Management amounted to RMB11,016 million, representing an increase of 259.5% on a year-on-year basis. Among which, the size of assets under management for mutual funds amounted to RMB5,143 million, representing a year-on-year increase of 415.5%, size of assets under management for segregated investment accounts amounted to RMB5,874 million, representing a year-on-year increase of 184.2%. In addition, the size of assets under management of the investment advisory business of the Company amounted to RMB5,914 million, representing a year-on-year increase of 172.4%.



#### Outlook for 2016

In 2016, CICC Fund Management will continue to build up the capacity of our teams, including the research team, marketing team, as well as operations and other middle-and-back office teams. More efforts will be dedicated to promoting product innovations to enrich the product lines in line with the diverse demand from existing and new customers on an ongoing basis. Meanwhile, new channels will be fostered and developed.

#### *Private Equity*

##### Market Environment

In 2015, the size of funds raised and invested by private equity funds significantly increased as against the previous year. Benefiting from the strong rallies in the secondary market during the first half of the year, rapid expansion of the capacity of the NEEQ, and increasing interest of domestic investors in investing in private equity portfolio companies, the number of private equity funds that completed offerings during the full year reached a historical high. Return of VIE funds, explosive growth of the NEEQ, and liquidity injection by government-backed funds have become the major drivers for the increasing size of funds raised. In 2015, the size of investment made by private equity funds also experienced strong growth, the majority of which went to sectors such as internet, IT, biotechnology/medical and healthcare, machinery manufacturing, telecommunications and growth enterprises. In terms of exits, affected by the suspension of IPOs after the stock market crash, both the number and size of IPO exit deals declined. In the meantime, the NEEQ market experienced strong rapid growth in 2015.

##### Actions and Achievements

In 2015, the private equity funds managed by CICC Jiacheng, a wholly-owned subsidiary of the Company, developed steadily and explored new investment areas proactively. The size of assets under management expanded rapidly by fully leveraging on

the platform and investment returns were enhanced. The private equity funds managed by CICC Jiacheng made 13 new investments in 2015 with an aggregate investment amount of RMB6.46 billion, mainly in sectors such as TMT, internet finance, medical and healthcare, consumer goods, environmental protection and clean energy. CICC Jiacheng precisely captured the investment opportunities arising from the return of the China concept stocks to the domestic market, and actively participated in the transactions of privatization of China concept stocks and the removal of VIE structures for the purpose of returning to the domestic stock markets. In 2015, CICC Jiacheng successfully made five exits, by way of IPO, merger and acquisition, and equity transfer. By facilitating the acquisition of Jiangyin Tianjiang Pharmaceutical Co., Ltd. (“Tianjiang Pharmaceutical”) by China Traditional Chinese Medicine Co., Ltd. (“China TCM”), the largest ever merger and acquisition transaction in the domestic pharmaceutical industry in China, the Company realized exit from the Tianjiang Pharmaceutical project and generated decent returns for the investors.

As at December 31, 2015, the size of assets under the management of CICC Jiacheng amounted to RMB17,400 million. Due to the excellent investment results of Fund I and the positive response of investors, CICC Jiacheng commenced fund-raising for the RMB-denominated Fund II within the year. The expected size of proceeds to be raised will be RMB5 billion-RMB8 billion, with a very strong pipeline. In 2015, CICC Jiaming Fund was established, with an expected size of RMB500 million. CICC Jiaming Fund will focus on investments in enterprises listed and looking to be listed on the NEEQ.

In 2015, the Company established the CICC Zhide Capital Co., Ltd.\* (中金智德股權投資管理有限公司) (“CICC Zhide”) to engage in principal equity investment. In 2015, CICC Zhide commenced fund raising for the RMB-denominated Fund I with the investment strategy of focusing on “merger, acquisition and restructuring, reforms of SOEs” and the size of funds to be raised is expected to be RMB10 billion-RMB15 billion.

In 2015, progress has been seen in our Fund of Fund business. The European and US Private Equity Fund I managed by the Company completed all committed investments, with returns substantially above the first quadrant benchmark for global merger and acquisition funds. Fund raising was completed for the European and US Private Equity Fund II. As at December 31, 2015, the size of assets under management by the Fund of Fund amounted to approximately RMB9.5 billion, representing a year-on-year growth of 114.2%.

#### Outlook for 2016

Guided by “supply-side reforms”, the government will continue to increase support for innovative and high growth enterprises to facilitate “innovations and entrepreneurship by all”. The private equity business will follow the trend of reforms and capture the current opportunity of depressed valuation to promote innovation and growth of our private equity business. As a multi-layered capital market is taking shape in China, the Company will diversify exit channels, enhance post-investment management, and further improve investment returns.

As China has become the second largest merger and acquisition market worldwide, and a new round of reforms of SOEs were released, the Company will take early initiatives in the areas of merger, acquisition and restructuring, and partner with industry investors to push forward upgrading of industries, support the international merger and acquisition strategies by enterprises and advise on offshore privatization of PRC enterprises. The Company will continue to enhance our cross-border product portfolio to satisfy the demand for offshore asset allocation by investors, and further develop our Fund of Fund business. The Company will continue to conduct research on different investment strategies and establish a private equity investment platform with diverse investment strategies.

## Research

Our Research team focuses on the global markets. We conduct research and investment analysis on the fundamentals of macro-economy, equity products and commodities, and provide research services to domestic and international clients through the global platform of the Company. As at December 31, 2015, the Research team of the Company consists of more than 100 experienced professionals, most of whom were able to cover multiple markets. As at December 31, 2015, the team has covered over 40 industries and 800 companies listed on the stock exchange in PRC, Hong Kong, New York and Singapore, and more than two-thirds of the research reports were issued bilingually in English and Chinese.

The Company has won recognition from domestic and international investors due to the independence, objectivity and thoroughness of our reports. In 2015, the Company has published a total of more than 10,000 research reports in English and Chinese. In addition to a large number of industry and company research reports, the Company has also published a number of thematic reports on, among others, “Capital Account Liberalization”, “SH-HK Stock Connect”, “SOE Reform”, “China in Transformation”, “One Belt, One Road”, “Internet Finance” and “Research on unlisted Companies”, reflecting the Company’s in-depth understanding of China. Given our strengths in terms of both quantity and quality of the research reports, the Company has won the reputation of “China Expert” among our clients.

In 2015, the CICC Research team has received honors and awards granted by authoritative institutions with international influence. We were honored as “No.1 Overall Country Research” for China by *Asiamoney* for ten consecutive years from 2006 to 2015. We were also named the “No.1 All-China Research Team” by *Institutional Investor* for consecutive years from 2012-2015.

### III. Analysis Of Financial Statements

#### (i) Profitability Analysis of the Company

In 2015, the Group's operating income and net profit both made a record high. After a few years of transformation and adjustments, its layout for each business became more diversified and revenue structure became more balanced; as a traditional business with advantage, investment banking business maintained a leading position in the market; with equity sales and trading business and FICC business as breakthrough points, transformation to balance-sheet-based service businesses had been promoted; and as new revenue-earning businesses, wealth management business and investment management business realized a significant increase in revenue and their shares in total revenue continued to grow.

In 2015, the Group realized total revenue and other income of RMB9,506.7 million, representing an increase of 54.4% as compared to 2014; the Group realized net profits attributable to shareholders/equity holders and holders of other equity instruments of the Company of RMB1,952.6 million, representing an increase of 74.6% as compared to 2014; the Group realized earnings per share of RMB1.12, representing an increase of 67.2% as compared to 2014 and the weighted average return on net assets amounted to 20.4%, representing an increase of 5.3 percentage points as compared to 2014.

#### (ii) Asset Structure and Quality

As at the end of 2015, total assets of the Group amounted to RMB94,108.8 million, representing an increase of 78.6% from RMB52,700.1 million as at the end of 2014; total liabilities amounted to RMB77,666.8 million, representing an increase of 73.7% from RMB44,707.9 million as at the end of 2014; equity attributable to shareholders/equity holders and holders of other equity instruments of the Company amounted to RMB16,442.0 million, representing an increase of 105.7% from RMB7,992.2 million as at the end of 2014. After deduction of accounts payable to brokerage clients of RMB25,218.1 million, the Group's adjusted total assets and adjusted total liabilities amounted to RMB68,890.7 million and RMB52,448.7 million, respectively. Gearing ratio was 76.1%, representing a decrease of 2.7 percentage points as compared with 78.8% as at the end of 2014. Operating leverage ratio was 4.2 times, representing a decrease of 11.0% as compared with 4.7 times as at the end of 2014.

As of December 31, 2015, the Group's financial assets at fair value through profit or loss, derivative financial assets and available-for-sale financial assets totaled RMB47,394.9 million, accounting for 50.4% of the total assets; cash and bank balances amounted to RMB32,735.4 million, accounting for 34.8% of the total assets; receivable from margin clients and financial assets held under resale agreements totaled RMB4,853.0 million, accounting for 5.2% of the total assets; other assets amounted to RMB9,125.4 million, accounting for 9.7% of the total assets.

As of December 31, 2015, most of the Group's liabilities were short-term liabilities, among which accounts payable to brokerage clients amounted to RMB25,218.1 million, accounting for 32.5% of the total liabilities; financial assets sold under repurchase agreements amounted to RMB14,013.7 million, accounting for 18.0% of the total liabilities; short-term placements from financial institutions and short-term debt securities issued amounted to RMB3,336.8 million, accounting for 4.3% of the total liabilities; financial liabilities at fair value through profit or loss and derivative financial liabilities amounted to RMB6,655.3 million, accounting for 8.6% of the total liabilities; long-term liabilities including subordinated bonds amounted to RMB7,694.8 million, accounting for 9.9% of the total liabilities; other liabilities amounted to RMB20,748.0 million, accounting for 26.7% of the total liabilities.

### (iii) Cash Flows

In 2015, excluding the change in accounts payable to brokerage clients, net increase in cash and cash equivalents of the Group increased by RMB3,993.4 million to RMB4,369.2 million as compared to 2014.

Net cash outflow used in operating activities amounted to RMB5,226.6 million in 2015, compared to net cash inflow of RMB1,042.1 million in 2014, mainly due to an increase in principal investments in 2015.

Net cash outflow used in investing activities in 2015 amounted to RMB764.1 million, representing an increased outflow of RMB525.3 million from net cash outflow of RMB238.8 million in 2014, mainly due to an increase in external investments.

Net cash inflow generated from financing activities in 2015 amounted to RMB10,360.0 million, compared to net cash outflow of RMB427.5 million for the same period of 2014, mainly due to an increase in cash inflows resulting from proceeds raised from the Company's IPO and the issuance of debt securities in 2015.

### (iv) Financing Channels and Capability

Currently, the Company raised short-term funding primarily by means of REPOs, inter-bank borrowings, issuance of short-term commercial papers, issuance of beneficiary certificates and bank facilities, and raised long-term funding primarily by means of issuance of subordinated bonds, issuance of perpetual subordinated bonds and syndication loans.

In addition, the Company may also finance through follow-on offerings, rights issue, issuance of corporate bonds, issuance of notes and other ways according to market environment and its own needs.

**(v) Operating Revenue and Profit Analysis***1. Analysis of Items in Statement of Profit or Loss and Other Comprehensive Income***Summary Results of Operations**

In 2015, the Group realized profit after tax of RMB1,952.6 million, representing an increase of 74.6% as compared to 2014, and the main results of operations of the Group are listed as follows:

Unit: RMB in million

| Item   | 2015           | 2014           | Change         | % of change  |
|--|----------------|----------------|----------------|--------------|
| <b>Revenue</b>   |                |                |                |              |
| Fee and commission income  | 6,587.8        | 4,151.9        | 2,435.9        | 58.7%        |
| Interest income  | 1,020.5        | 449.8          | 570.7          | 126.9%       |
| Investment income  | 1,853.3        | 1,526.8        | 326.6          | 21.4%        |
| <b>Total income</b>  | <b>9,461.7</b> | <b>6,128.5</b> | <b>3,333.2</b> | <b>54.4%</b> |
| Other income   | 45.0           | 27.3           | 17.7           | 64.8%        |
| <b>Total revenue and other income</b>  | <b>9,506.7</b> | <b>6,155.8</b> | <b>3,350.9</b> | <b>54.4%</b> |
| <b>Total expenses</b>  | <b>6,989.8</b> | <b>4,717.7</b> | <b>2,272.1</b> | <b>48.2%</b> |
| <b>Share of profits of associates and joint ventures</b>                           | <b>103.7</b>   | <b>67.8</b>    | <b>35.9</b>    | <b>53.0%</b> |
| <b>Profit before income tax</b>  | <b>2,620.6</b> | <b>1,505.9</b> | <b>1,114.7</b> | <b>74.0%</b> |
| Income tax expense   | 667.9          | 387.4          | 280.5          | 72.4%        |
| <b>Net profit for the year</b>   | <b>1,952.6</b> | <b>1,118.5</b> | <b>834.2</b>   | <b>74.6%</b> |
| Attributable to:   |                |                |                |              |
| Shareholders/equity holders of the Company and holders of other equity instruments | 1,952.6        | 1,118.5        | 834.2          | 74.6%        |

### Revenue Breakdown

In 2015, the Group's total income and other gains increased by 54.4% to RMB9,506.7 million as compared to 2014. Among others, Fee and commission income accounted for 69.3%, representing an increase of 1.8 percentage points as compared to 2014; interest income took up 10.7%, representing an increase of 3.4 percentage points as compared to 2014; investment income accounted for 19.5%, representing a decrease of 5.3 percentage points as compared to 2014. Breakdown of the Group's revenue for the last two years is listed as follows:

Unit: RMB in million

| Item                      | 2015          | 2014          | Change |
|---------------------------|---------------|---------------|--------|
| Fee and commission income | 69.3%         | 67.5%         | 1.8%   |
| Interest income           | 10.7%         | 7.3%          | 3.4%   |
| Investment income         | 19.5%         | 24.8%         | (5.3%) |
| Other gains               | 0.5%          | 0.4%          | 0.0%   |
| <b>Total</b>              | <b>100.0%</b> | <b>100.0%</b> |        |

Benefiting from the active capital market environment, the Company's overall operations were in good condition and its revenue and profit both made a record high, and revenue from each business was relatively stable and balanced in 2015. Due to the active trading in 2015, the market trading volume exceeded that of 2014, and capital-based intermediary business had further developed as compared to 2014, resulting in the fee and commission income and interest income representing a higher percentage in total revenue.

### Fee and Commission Income

In 2015, the Group realized a net fee and commission income of RMB6,168.3 million, representing an increase of 57.2% as compared to 2014. Breakdown of the Group's fee and commission income in 2015 is listed as follows:

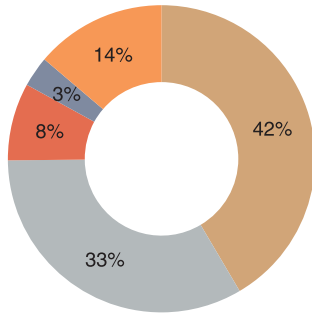
Unit: RMB in million

| Item                                   | 2015           | 2014           | Change         | % of change  |
|--|----------------|----------------|----------------|--------------|
| <b>Fee and commission income</b>       |                |                |                |              |
| Brokerage commission income            | 2,734.1        | 1,408.9        | 1,325.2        | 94.1%        |
| Underwriting and sponsoring fees       | 2,196.6        | 1,753.1        | 443.5          | 25.3%        |
| Financial advisory fees                | 537.5          | 208.5          | 329.0          | 157.8%       |
| Investment advisory fees               | 210.7          | 258.2          | (47.5)         | (18.4%)      |
| Asset management fees                  | 908.9          | 523.2          | 385.7          | 73.7%        |
| <b>Total fee and commission income</b> | <b>6,587.8</b> | <b>4,151.9</b> | <b>2,435.9</b> | <b>58.7%</b> |
| Fee and commission expense             | 419.6          | 227.8          | 191.8          | 84.2%        |
| <b>Net fee and commission income</b>   | <b>6,168.3</b> | <b>3,924.1</b> | <b>2,244.2</b> | <b>57.2%</b> |

The charts below set forth the breakdown of the Group’s fee and commission income in 2015 and 2014:

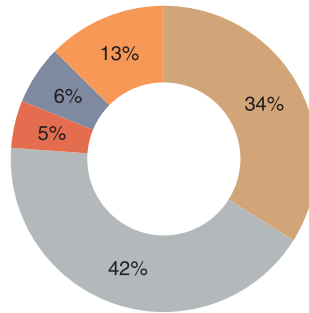
**Breakdown of Fee and Commission Income in 2015**

RMB million



**Breakdown of Fee and Commission Income in 2014**

RMB million



- Brokerage commission income
- Underwriting and sponsoring fees
- Financial advisory fees
- Investment advisory fees
- Asset management fees

Brokerage commission income increased by RMB1,325.2 million or 94.1% as compared to 2014, mainly due to a significant growth of 244% in the daily average trading volume of the A-share market and an increase of 52% in the daily average trading volume of the H-share market in 2015 resulting in a significant increase in the Company’s commission income from A-shares and H-shares trading. Meanwhile, the average securities brokerage commission rate of the Company’s brokerage business was 0.071%, with the market premium remain the same as compared to 2014.

Underwriting and sponsoring fees increased by RMB443.5 million or 25.3% as compared to 2014, mainly due to an increase in the Company’s business scale of A-share, H-share and bond offerings.

Financial advisory fees increased by RMB329.0 million or 157.8% as compared to 2014, mainly due to a revenue increase recognized from M&A completed in 2015.

Investment advisory fees decreased by RMB47.5 million or 18.4% as compared to 2014, primarily because more clients’ assets were transferred from over-the-counter transactions into exchange-traded transactions due to the active secondary market.

Asset management fees increased by RMB385.7 million or 73.7% as compared to 2014, mainly due to an increase in the AUM of our asset management, mutual funds and private equity businesses and an increase in performance fees as a result of the strong market performance for this year.

**Interest Income**

In 2015, the Group incurred a net interest expense of RMB74.3 million, representing a decrease of 74.6% as compared to 2014. Breakdown of the Group's net interest expense in 2015 is listed as follows:

Unit: RMB in million

| Item   | 2015           | 2014           | Change       | % of change    |
|--|----------------|----------------|--------------|----------------|
| <b>Interest income</b>   | <b>1,020.5</b> | <b>449.8</b>   | <b>570.7</b> | <b>126.9%</b>  |
| Interest income from financial institutions                            | 569.2          | 181.5          | 387.7        | 213.6%         |
| Interest income from margin financing and securities lending           | 381.0          | 181.1          | 199.9        | 110.4%         |
| Interest income from financial assets held under resale agreements     | 68.0           | 86.3           | (18.3)       | (21.2%)        |
| Others   | 2.3            | 0.9            | 1.4          | 151.6%         |
| <b>Interest expenses</b>   | <b>1,094.8</b> | <b>742.1</b>   | <b>352.7</b> | <b>47.5%</b>   |
| Interest expenses of accounts payable to brokerage clients             | 172.6          | 43.0           | 129.6        | 301.5%         |
| Interest expenses on financial assets sold under repurchase agreements | 345.5          | 294.1          | 51.4         | 17.5%          |
| Interest expenses on placements from financial institutions            | 137.7          | 79.0           | 58.7         | 74.4%          |
| Interest expenses on debt instruments issued                           | 417.9          | 319.2          | 98.7         | 30.9%          |
| Others   | 21.1           | 6.8            | 14.3         | 211.7%         |
| <b>Net interest expense</b>  | <b>(74.3)</b>  | <b>(292.3)</b> | <b>218.0</b> | <b>(74.6%)</b> |

Interest income from financial institutions increased by RMB387.7 million or 213.6% as compared to 2014, mainly due to an increase in the average balance of cash we held on behalf of our brokerage clients.

Interest income from margin financing and securities lending increased by RMB199.9 million or 110.4% as compared to 2014, mainly due to our clients' increased demand for margin financing and securities lending under the favorable domestic stock market conditions and an increase in the business scale of our margin financing and securities lending business as a result of our increased capital allocation to the margin financing and securities lending business.



Interest income from financial assets held under resale agreements decreased by RMB18.3 million or 21.2% as compared to 2014, mainly due to a decrease in interest rates.

Interest expense increased by RMB352.7 million or 47.5% as compared to 2014, mainly due to the increased deposits we held on behalf of our brokerage clients and our increased external financing. In 2015, the Group continued to expand its financing channels. The Group obtained capital resources by means of issuance of short-term commercial papers, beneficiary certificates, subordinated bonds and syndication loans, which resulted in high interest expenses.

#### Investment Income

In 2015, the Group recognized an investment income of RMB1,853.3 million, representing an increase of 21.4% as compared to 2014. Breakdown of the Group's investment income in 2015 is listed as follows:

Unit: RMB in million

|   | 2015           | 2014           | Change       | % of change  |
|---|----------------|----------------|--------------|--------------|
| <b>Investment income</b>  |                |                |              |              |
| Net gain from disposal of available-for-sale financial assets             | 104.2          | 19.9           | 84.3         | 423.60%      |
| Dividend income from available-for-sale financial assets                  | 12.9           | -              | 12.9         | N/A          |
| Net gains from financial instruments at fair value through profit or loss |                |                |              |              |
| – Equity investments  | 2,356.5        | 568.9          | 1,787.6      | 314.2%       |
| – Debt securities   | 870.3          | 867.6          | 2.8          | 0.3%         |
| – Funds and other investments   | 99.3           | 100.7          | (1.4)        | -1.4%        |
| Net losses from derivative financial instruments                          | (1,589.9)      | (30.2)         | (1,559.7)    | 5158.1%      |
| <b>Total</b>  | <b>1,853.3</b> | <b>1,526.8</b> | <b>326.6</b> | <b>21.4%</b> |

Net gains from disposal of available-for-sale financial assets increased by RMB84.3 million or 423.6% as compared to 2014, mainly due to realized income arising from exit of some of our investments.

Dividend income from available-for-sale financial assets increased by RMB12.9 million as compared to 2014, mainly due to dividend income from the equity investments held by us.

Net gains from financial instruments at fair value through profit or loss were generated from the following categories of investments:

- Net gains generated from equity investments increased by RMB1,787.6 million as compared to 2014, mainly due to the increase in gains from our hedge position held for the total return swap business attributable to the surge in the stock prices in 2015, which was partially offset by the net losses from derivative financial instruments. The Group enters into total return swap agreements to meet its clients' needs whereby the clients assume the risk in the volatility in the fair value of the underlying assets while the Group receives fixed income under the total return swap agreements and holds a hedge position to mitigate market risk.
- Net gains from debt securities were substantially the same as in 2014, with the rate of increase in net gains significantly lower than the rate of increase in the position in debt securities between the year end of 2014 and 2015, mainly due to two reasons: the increase in our position in debt securities was a result of our gradual reallocation of the capital from the capital-intermediary business to debt securities in the fourth quarter of 2015, which means that the holding period of these newly-acquired debt securities was relatively short; and the rise in the market prices of the debt securities in 2014 was significantly higher than that in 2015, and as a result, the net gains from debt securities remained stable despite the increase in the holding position at the year end of 2015.
- Net gains from funds and other investments were substantially the same as in 2014, with the rate of increase in net gains significantly lower than the rate of increase in the position in funds and other investments at the year end of 2014 and 2015, mainly due to two reasons: the increase in our position in funds and other investments was a result from our gradual reallocation of the capital from capital-intermediary business to currency funds in the fourth quarter of 2015, which means that the holding period of these newly-acquired currency funds was relatively short; and the drop in the net gains of the currency funds in 2015 results in a lower gains from money market funds.

For detailed information of the financial assets at fair value through profit or loss held by the Group at the end of 2015, please refer to Investment - Financial assets at fair value through profit or loss.

Net losses from derivative financial instruments increased by RMB1,559.7 million as compared to 2014, mainly due to an increase in losses arising from the total return swap business. Such losses were offset by the gain from the hedge position. Taking into account the hedge position, the Group's exposure to the market risk and the impact on its profit or loss due to the volatility in the fair value of the underlying assets under the total return swap agreements is limited.

### Operating Expenses

In 2015, the Group's operating expenses (excluding fee and commission expenses and interest expenses, see 1 below) amounted to RMB5,475.4 million, representing an increase of 46.1% as compared to 2014. Main compositions of the Group's operating expenses in 2015 are listed as follows:

Unit: RMB in million

| Item                                   | 2015           | 2014           | Change         | % of change  |
|--|----------------|----------------|----------------|--------------|
| <b>Operating expenses</b>              |                |                |                |              |
| Staff costs                            | 4,051.0        | 2,555.5        | 1,495.5        | 58.5%        |
| Depreciation and amortization expenses | 51.1           | 59.9           | (8.8)          | (14.7%)      |
| Business tax and surcharges            | 406.3          | 248.0          | 158.3          | 63.8%        |
| Other operating expenses               | 963.7          | 852.8          | 110.9          | 13.0%        |
| Provision for impairment losses        | 3.4            | 31.6           | (28.2)         | (89.3%)      |
| <b>Total</b>                           | <b>5,475.4</b> | <b>3,747.8</b> | <b>1,727.6</b> | <b>46.1%</b> |

Staff costs increased by RMB1,495.5 million or 58.5% as compared to 2014, mainly due to an overall improvement in the Company's performance and an increase in staff salaries.

Depreciation and amortization expenses decreased by RMB8.8 million or 14.7% as compared to 2014, mainly due to the fact that some equipment and leasehold improvements had been fully depreciated or amortized.

Business tax and surcharges increased by RMB158.3 million or 63.8% as compared to 2014, mainly due to an increase in taxable income.

Other operating expenses increased by RMB110.9 million or 13.0% as compared to 2014, mainly due to increases in business development expenses in line with the increased business activities.

## 2. Segment Results

We have five principal business segments: investment banking, equity sales and trading, FICC, wealth management and investment management. Others segment mainly comprises of other business departments and back offices.

Unit: RMB in million

|   | 2015             | 2014             | Change         | % of change  |
|---|------------------|------------------|----------------|--------------|
| <b>Investment Banking</b>               |                  |                  |                |              |
| <b>Segment revenue and other income</b> |                  |                  |                |              |
| Fee and commission income               | 2,317.6          | 1,650.0          | 667.6          | 40.5%        |
| Interest income                         | 2.5              | 18.2             | (15.7)         | (86.5%)      |
| Investment income                       | 11.3             | 14.4             | (3.1)          | (21.8%)      |
| Other income                            | 0.4              | 0.2              | 0.1            | 52.0%        |
| <b>Total</b>                            | <b>2,331.7</b>   | <b>1,682.9</b>   | <b>648.8</b>   | <b>38.6%</b> |
| <b>Segment expenses</b>                 | <b>(1,335.4)</b> | <b>(1,128.0)</b> | <b>(207.4)</b> | <b>18.4%</b> |
| <b>Profit/(loss) before income tax</b>  | <b>996.3</b>     | <b>554.9</b>     | <b>441.4</b>   | <b>79.5%</b> |
| <b>Segment margin <sup>(1)</sup></b>    | <b>42.7%</b>     | <b>33.0%</b>     | <b>9.7%</b>    |              |
| <b>Equity Sales and Trading</b>         |                  |                  |                |              |
| <b>Segment revenue and other income</b> |                  |                  |                |              |
| Fee and commission income               | 2,125.5          | 1,289.9          | 835.7          | 64.8%        |
| Interest income                         | 290.1            | 129.0            | 161.2          | 125.0%       |
| Investment income                       | 219.0            | 243.1            | (24.1)         | (9.9%)       |
| Other income                            | 4.1              | 1.0              | 3.0            | 296.0%       |
| <b>Total</b>                            | <b>2,638.7</b>   | <b>1,663.0</b>   | <b>975.7</b>   | <b>58.7%</b> |
| <b>Segment expenses</b>                 | <b>(1,108.5)</b> | <b>(749.8)</b>   | <b>(358.7)</b> | <b>47.8%</b> |
| <b>Profit/(loss) before income tax</b>  | <b>1,530.2</b>   | <b>913.2</b>     | <b>617.0</b>   | <b>67.6%</b> |
| <b>Segment margin <sup>(1)</sup></b>    | <b>58.0%</b>     | <b>54.9%</b>     | <b>3.1%</b>    |              |

|   | 2015             | 2014           | Change         | % of change   |
|---|------------------|----------------|----------------|---------------|
| <b>FICC</b>                             |                  |                |                |               |
| <b>Segment revenue and other income</b> |                  |                |                |               |
| Fee and commission income               | 130.1            | 71.9           | 58.1           | 80.8%         |
| Interest income                         | 40.5             | 22.6           | 17.9           | 78.9%         |
| Investment income                       | 1,428.3          | 1,201.4        | 226.9          | 18.9%         |
| Other income                            | 8.2              | 0.0            | 8.2            | N/A           |
| <b>Total</b>                            | <b>1,607.0</b>   | <b>1,295.9</b> | <b>311.1</b>   | <b>24.0%</b>  |
| <b>Segment expenses</b>                 | <b>(754.9)</b>   | <b>(710.0)</b> | <b>(44.9)</b>  | <b>6.3%</b>   |
| <b>Profit/(loss) before income tax</b>  | <b>852.1</b>     | <b>585.9</b>   | <b>266.2</b>   | <b>45.4%</b>  |
| <b>Segment margin <sup>(1)</sup></b>    | <b>53.0%</b>     | <b>45.2%</b>   | <b>7.8%</b>    |               |
| <b>Wealth Management</b>                |                  |                |                |               |
| <b>Segment revenue and other income</b> |                  |                |                |               |
| Fee and commission income               | 1,049.6          | 564.2          | 485.4          | 86.0%         |
| Interest income                         | 542.0            | 239.3          | 302.7          | 126.5%        |
| Investment income                       | 90.7             | 33.8           | 57.0           | 168.7%        |
| Other income                            | 14.5             | 3.9            | 10.5           | 266.2%        |
| <b>Total</b>                            | <b>1,696.8</b>   | <b>841.3</b>   | <b>855.5</b>   | <b>101.7%</b> |
| <b>Segment expenses</b>                 | <b>(1,081.7)</b> | <b>(592.8)</b> | <b>(488.9)</b> | <b>82.5%</b>  |
| <b>Profit/(loss) before income tax</b>  | <b>615.1</b>     | <b>248.4</b>   | <b>366.7</b>   | <b>147.6%</b> |
| <b>Segment margin <sup>(1)</sup></b>    | <b>36.3%</b>     | <b>29.5%</b>   | <b>6.8%</b>    |               |
| <b>Investment Management</b>            |                  |                |                |               |
| <b>Segment revenue and other income</b> |                  |                |                |               |
| Fee and commission income               | 964.9            | 575.3          | 389.5          | 67.7%         |
| Interest income                         | 10.2             | 5.8            | 4.4            | 76.1%         |
| Investment income                       | 97.9             | 27.3           | 70.6           | 258.3%        |
| Other income                            | 10.1             | 2.4            | 7.7            | 321.5%        |
| <b>Total</b>                            | <b>1,083.1</b>   | <b>610.8</b>   | <b>472.3</b>   | <b>77.3%</b>  |

|   | 2015      | 2014      | Change  | % of change |
|---|-----------|-----------|---------|-------------|
| Segment expenses  | (723.4)   | (514.5)   | (208.9) | 40.6%       |
| Share of profits of<br>associates and<br>joint ventures | 82.1      | 40.7      | 41.4    | 101.8%      |
| Profit/(loss) before<br>income tax                      | 441.8     | 137.0     | 304.8   | 222.5%      |
| Segment margin <sup>(1)</sup>                           | 40.8%     | 22.4%     | 18.4%   |             |
| <b>Others <sup>(2)</sup></b>                            |           |           |         |             |
| Segment revenue and<br>other income                     |           |           |         |             |
| Fee and commission income                               | 0.2       | 0.5       | (0.3)   | (69.2%)     |
| Interest income   | 135.3     | 34.9      | 100.4   | 287.5%      |
| Investment income                                       | 6.2       | 6.8       | (0.6)   | (8.7%)      |
| Other income  | 7.8       | 19.7      | (11.9)  | (60.5%)     |
| Total   | 149.4     | 61.9      | 87.5    | 141.4%      |
| Segment expenses  | (1,985.9) | (1,022.6) | (963.3) | 94.2%       |
| Share of profits of<br>associates and<br>joint ventures | 21.6      | 27.1      | (5.5)   | (20.3%)     |
| Profit/(loss) before<br>income tax                      | (1,814.9) | (933.6)   | (881.3) |             |

(1) Segment margin = profit before income tax/segment revenue and other income

(2) The segment margin of “others” segment is not presented because this segment incurred loss before income tax in the relevant years

## (vi) Analysis of Items in Statement of Financial Position

### 1. Items of Assets

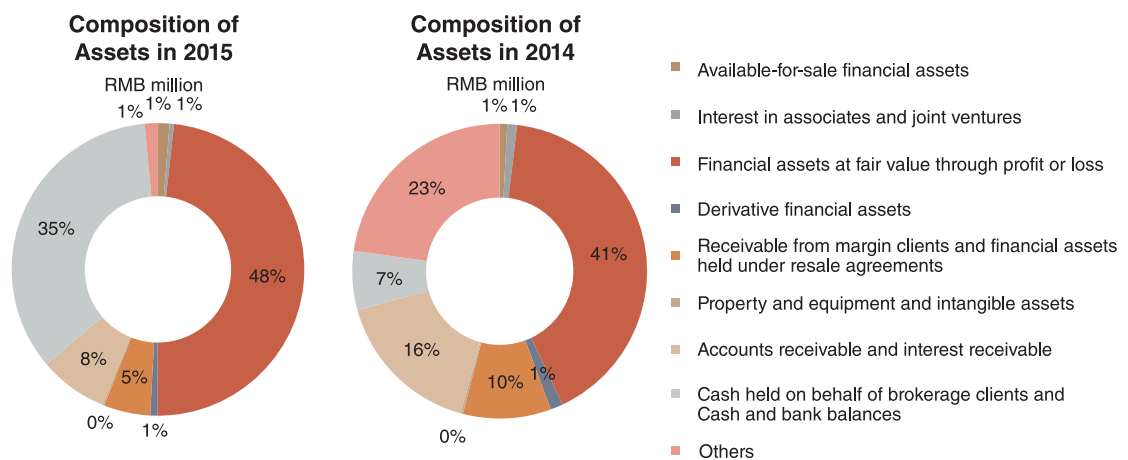
As of December 31, 2015, the total assets of the Group amounted to RMB94,108.8 million, representing an increase of 78.6% as compared to 2014. Excluding accounts payable to brokerage clients, the total

assets of the Group as at December 31, 2015 amounted to RMB68,890.7 million, representing an increase of 83.0% as compared to 2014. Major changes in the Group's total assets are listed as follows:

Unit: RMB in million

| Item   | December 31,<br>2015 | December 31,<br>2014 | Change          | % of change  |
|--|----------------------|----------------------|-----------------|--------------|
| Available-for-sale financial assets  | 1,199.4              | 434.0                | 765.4           | 176.4%       |
| Interest in associates and joint ventures  | 452.6                | 565.4                | (112.8)         | (19.9%)      |
| Financial assets at fair value through profit or loss                            | 45,459.3             | 21,653.7             | 23,805.6        | 109.9%       |
| Derivative financial assets  | 736.2                | 732.8                | 3.4             | 0.5%         |
| Receivable from margin clients and financial assets held under resale agreements | 4,853.0              | 5,079.9              | (226.9)         | (4.5%)       |
| Property and equipment and intangible assets                                     | 167.8                | 137.8                | 30.0            | 21.7%        |
| Accounts receivable and interest receivable                                      | 7,152.4              | 8,677.7              | (1,525.3)       | (17.6%)      |
| Cash held on behalf of brokerage clients   | 24,301.4             | 11,084.6             | 13,216.8        | 119.2%       |
| Cash and bank balances   | 8,434.1              | 3,418.3              | 5,015.7         | 146.7%       |
| Others   | 1,352.6              | 915.9                | 436.7           | 47.7%        |
| <b>Total</b>   | <b>94,108.8</b>      | <b>52,700.1</b>      | <b>41,408.7</b> | <b>78.6%</b> |

The charts below set forth the composition of the Group's total assets as at the indicated dates:



## Investments

The Group's investments primarily consist of available-for-sale financial assets, interest in associates and joint ventures, financial assets at fair value through profit or loss and derivative financial assets.

As of December 31, 2015, the total external investments of the Group amounted to RMB47,847.5 million, representing an increase of RMB24,461.6 million or 104.6% as compared to 2014. Total external investments accounted for 50.8% of total assets, representing an increase of 6.5 percentage points as compared to 2014, mainly due to the fact that capital-based intermediary business shrank as a result of a decreased financing demand in the market and thus the Company invested a portion of cash into bonds and monetary funds with low risk and strong liquidity, in order to improve capital utilization efficiency. Details of the Group's financial asset investments are as follows:

Unit: RMB in million

| Items  | December 31,<br>2015 | December 31,<br>2014 | Change          | %<br>of change |
|--|----------------------|----------------------|-----------------|----------------|
| Available-for-sale financial assets                      | 1,199.4              | 434.0                | 765.4           | 176.4%         |
| Interest in associates and<br>joint ventures             | 452.6                | 565.4                | (112.8)         | (19.9%)        |
| Financial assets at fair value<br>through profit or loss | 45,459.3             | 21,653.7             | 23,805.6        | 109.9%         |
| Derivative financial assets                              | 736.2                | 732.8                | 3.4             | 0.5%           |
| <b>Total</b>   | <b>47,847.5</b>      | <b>23,385.9</b>      | <b>24,461.6</b> | <b>104.6%</b>  |

### Available-for-sale Financial Assets

As of December 31, 2015, the Group's available-for-sale financial assets represented a year-on-year increase of RMB765.4 million or 176.4%, accounting for 1.3% of the Group's total assets. The following table sets forth the composition of the Group's available-for-sale financial assets:

Unit: RMB in million

| Items                       | December 31,<br>2015 | December 31,<br>2014 | Change       | %<br>of change |
|-----------------------------|----------------------|----------------------|--------------|----------------|
| Equity investments          | 1,198.9              | 413.1                | 785.7        | 190.2%         |
| Funds and other investments | 0.5                  | 20.8                 | (20.3)       | (97.7%)        |
| <b>Total</b>                | <b>1,199.4</b>       | <b>434.0</b>         | <b>765.4</b> | <b>176.4%</b>  |



#### Interest in Associates and Joint Ventures

As of December 31, 2015, the Group's interest in associates and joint ventures represented a year-on-year decrease of RMB112.8 million or 19.9%, accounting for 0.5% of the Group's total assets. The following table sets forth the composition of the Group's interest in associates and joint ventures:

Unit: RMB in million

| Items          | December 31,<br>2015 | December 31,<br>2014 | Change         | %<br>of change |
|----------------|----------------------|----------------------|----------------|----------------|
| Associates     | 386.1                | 536.5                | (150.3)        | (28.0%)        |
| Joint ventures | 66.5                 | 29.0                 | 37.6           | 129.6%         |
| <b>Total</b>   | <b>452.6</b>         | <b>565.4</b>         | <b>(112.8)</b> | <b>(19.9%)</b> |

#### Financial Assets at Fair Value through Profit or Loss

As of December 31, 2015, the Group's financial assets at fair value through profit or loss represented a year-on-year increase of RMB23,805.6 million or 109.9%, accounting for 48.3% of the Group's total assets. The details of the investment categories are as follows:

Unit: RMB in million

|  | December 31,<br>2015 | December 31,<br>2014 | Change  | % of change |
|--|----------------------|----------------------|---------|-------------|
| <b>Equity investments</b>                                      |                      |                      |         |             |
| – Hedge position held for total<br>return swap                 | 8,557.3              | 9,361.5              | (804.2) | -8.6%       |
| – Financial assets from<br>consolidated structured<br>entities | 3,179.0              | 77.9                 | 3,101.1 | 3981.4%     |
| – Equity investments held<br>directly by the Group             | 740.5                | 300.3                | 440.1   | 146.6%      |
| Subtotal   | 12,476.7             | 9,739.7              | 2,737.0 | 28.1%       |
| <b>Debt securities</b>   |                      |                      |         |             |
| – Financial assets from<br>consolidated structured<br>entities | 2,017.6              | 89.8                 | 1,927.8 | 2147.1%     |
| – Debt securities held directly<br>by the Group                | 18,562.2             | 10,755.8             | 7,806.3 | 72.6%       |
| Subtotal   | 20,579.8             | 10,845.6             | 9,734.2 | 89.8%       |

|  | December31,<br>2015 | December31,<br>2014 | Change   | % of change |
|--|---------------------|---------------------|----------|-------------|
| Funds and other investments                              |                     |                     |          |             |
| – Financial assets from consolidated structured entities | 1,057.9             | 438.1               | 619.7    | 141.4%      |
| – Funds and other investments held directly by the Group | 11,345.0            | 630.3               | 10,714.7 | 1700.0%     |
| Subtotal   | 12,402.8            | 1,068.4             | 11,334.4 | 1060.9%     |
| Total  | 45,459.3            | 21,653.7            | 23,805.6 | 109.9       |

The financial assets at fair value through profit or loss held by the Group included RMB8,557.3 million of underlying assets of total return swap agreements which the Group had entered into with its clients, representing 18.8% in total financial assets at fair value through profit or loss. These underlying assets were held to hedge the market risk associated with the total return swap whereby the volatility in the underlying assets' fair value are assumed by the clients and has no material impact to the Group's profit or loss.

Besides the hedge position held for total return swap business mentioned above, the rest of the Group's financial assets at fair value through profit or loss include:

- RMB6,254.4 million in financial assets from consolidated structured entities which the Group sponsored and held interests in, accounting for 13.8% in total financial assets at fair value through profit or loss. The financial assets held by these consolidated structured entities include RMB3,179.0 million of equity investments, primarily listed stocks held in asset management accounts set up according to clients' requirements whereby the risk of fair value volatility is assumed by the clients based on mutual agreements; RMB2,017.6 million of debt securities all above investment grade; RMB1,057.9 million of funds and other investments, mainly quantitative hedging products. The carrying amount of the Group's interests in these structured entities are RMB1,316.8 million and the Group's maximum exposure to loss is limited to the carrying amount.
- RMB18,562.9 million of debt securities held directly by the Group, accounting for 40.8% in total financial assets at fair value through profit or loss, most of which are debt securities rated as investment grade or above and debt instruments issued by the MOF, the PBC or other policy banks in China.
- RMB11,345.0 million in investments in money market funds held directly by the Group, accounting for 25.0% in total financial assets at fair value through profit or loss, most of which are money market funds with high liquidity and low risks. The Group re-deployed its cash released from capital-intermediary business to money market funds to improve the short-term capital return after the market demand for funding had shrunk;

- RMB740.5 million in equity investments held directly by the Group, accounting for 1.6% in total financial assets at fair value through profit or loss, most of which are listed stocks held for our principal business or as marker maker in the New Third Board.

## Property and Equipment and Intangible Assets

As of December 31, 2015, the Group's property and equipment and intangible assets amounted to RMB167.8 million, representing a year-on-year increase of 21.7%, primarily due to the merge of assets of CICC Futures after its acquisition as well as an increase of investment in fixed assets in support of business development. The following table sets forth the Group's property and equipment and intangible assets as of the dates indicated:

Unit: RMB in million

| Items                  | December 31,<br>2015 | December 31,<br>2014 | Change      | %            |
|------------------------|----------------------|----------------------|-------------|--------------|
|                        |                      |                      |             | of change    |
| Property and equipment | 166.4                | 135.2                | 31.2        | 23.1%        |
| Intangible assets      | 1.4                  | 2.6                  | (1.2)       | (46.6%)      |
| <b>Total</b>           | <b>167.8</b>         | <b>137.8</b>         | <b>30.0</b> | <b>21.7%</b> |

## Cash and Bank Balances

As of December 31, 2015, cash and bank balances represented a year-on-year increase of RMB5,015.7 million, mainly due to an increase in funds raised from IPO which will be deployed to business expansion gradually based on the use of proceeds.

Unit: RMB in million

| Items                  | December 31,<br>2015 | December 31,<br>2014 | Change  | %         |
|------------------------|----------------------|----------------------|---------|-----------|
|                        |                      |                      |         | of change |
| Cash and bank balances | 8,434.1              | 3,418.3              | 5,015.7 | 146.7%    |

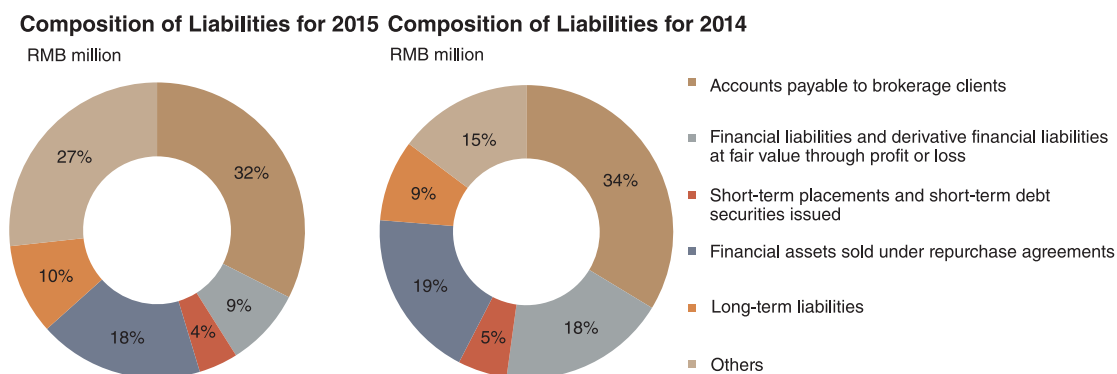
## 2. Items of Liabilities

As of December 31, 2015, the Group's total liabilities amounted to RMB77,666.8 million, representing a year-on-year increase of RMB32,958.9 million or 73.7%. Excluding the effect of accounts payable to brokerage clients, the Group's total liabilities amounted to RMB52,448.7 million at the end of 2015, representing a year-on-year increase of 76.9%. In 2015, the Company made great efforts in developing capital-based intermediary business while gradually expanded its financing scale through various channels. The table below sets out the movements of the Group's total liabilities:

Unit: RMB in million

| Items   | December 31,<br>2015 | December 31,<br>2014 | Change          | %<br>of change |
|---|----------------------|----------------------|-----------------|----------------|
| Accounts payable to brokerage clients   | 25,218.1             | 15,054.3             | 10,163.8        | 67.5%          |
| Financial liabilities at fair value through profit or loss and derivative financial liabilities | 6,655.3              | 8,263.7              | (1,608.4)       | (19.5%)        |
| Short-term placements from financial institutions and short-term debt securities issued         | 3,336.8              | 2,429.6              | 907.2           | 37.3%          |
| Financial assets sold under repurchase agreements   | 14,013.7             | 8,350.5              | 5,663.3         | 67.8%          |
| Long-term liabilities   | 7,694.8              | 4,009.6              | 3,685.2         | 91.9%          |
| Others  | 20,748.0             | 6,600.2              | 14,147.8        | 214.4%         |
| <b>Total</b>  | <b>77,666.8</b>      | <b>44,707.9</b>      | <b>32,958.9</b> | <b>73.7%</b>   |

The following chart sets out the composition of the Group's total liabilities as of the dates indicated:



As of December 31, 2015, accounts payable to brokerage clients amounted to RMB25,218.1 million, representing a year-on-year increase of 67.5%, mainly due to an increase in both market trading volume and market volatility in 2015 compared to 2014.

Unit: RMB in million

| Items                           | December 31,<br>2015 | December 31,<br>2014 | Increase or<br>decrease | Percentage of<br>movements |
|---------------------------------|----------------------|----------------------|-------------------------|----------------------------|
| <b>Domestic</b>                 |                      |                      |                         |                            |
| Individual clients              | 2,545.0              | 1,832.7              | 712.4                   | 38.9%                      |
| Institutional/corporate clients | 22,673.0             | 13,221.6             | 9,451.4                 | 71.5%                      |
| <b>Total</b>                    | <b>25,218.1</b>      | <b>15,054.3</b>      | <b>10,163.8</b>         | <b>67.5%</b>               |

As of December 31, 2015, financial liabilities at fair value through profit or loss and derivative financial liabilities amounted to RMB6,655.3 million, representing a year-on-year decrease of 19.5%, mainly due to a decrease in financial liabilities resulting from the settlement of a portion of the trading positions.

As of December 31, 2015, financial assets sold under repurchase agreements amounted to RMB14,013.7 million, representing a year-on-year increase of 67.8%, mainly due to an increase in short-term financing for proprietary business to enhance return on proprietary investments.

As of December 31, 2015, short-term placements from financial institutions and short-term debt securities issued amounted to RMB3,336.8 million, which consisted of beneficiary certificates with a nominal value of RMB1,700.0 million and RMB1,636.8 million short-term placements, representing an increase of 37.3% as compared to 2014, mainly due to an increase in short-term debt financing to develop capital-based intermediary business.

As of December 31, 2015, the Group's outstanding long-term liabilities amounted to RMB7,694.8 million, which consisted of RMB5,000.0 million subordinated bonds, RMB1,071.0 million USD-denominated notes and RMB1,623.4 million syndication loan, representing an increase of RMB3,685.2 million as compared to 2014. The newly-added long-term debts included RMB2,000 million subordinated bonds issued on May 29, 2015 and RMB1,623.4 million syndication loan drawn down on July 17, 2015.

As of December 31, 2015, the Group's other liabilities amounted to RMB20,748.0 million, representing an increase of 214.4% as compared to last year, mainly due to short-term fluctuation of accounts payable relating to the trading activities.

**(vii) Items of Equity**

As of December 31, 2015, the Group's total equity amounted to RMB16,442.0 million, representing a year-on-year increase of 105.7%, primarily due to the enlarged equity as a result of the IPO and an increase in retained profits resulting from earnings for 2015. The table below sets forth the composition of the Group's equity as of the dates indicated:

Unit: RMB in million

| Items                                   | December 31,<br>2015 | December 31,<br>2014 | Change         | % of<br>Change |
|---|----------------------|----------------------|----------------|----------------|
| Share capital                           | 2,306.7              | 1,667.5              | 639.2          | 38.3%          |
| Capital reserve                         | 7,705.7              | 26.5                 | 7,679.2        | 29,005.8%      |
| Surplus reserve                         | 152.8                | 473.4                | (320.6)        | (67.7%)        |
| General reserve                         | 1,453.1              | 1,142.4              | 310.7          | 27.2%          |
| Investment revaluation reserve          | 71.5                 | 24.2                 | 47.3           | 195.1%         |
| Foreign currency translation<br>reserve | (298.2)              | (447.7)              | 149.5          | (33.4%)        |
| Retained profits                        | 4,050.5              | 5,106.1              | (1,055.6)      | (20.7%)        |
| Other equity instruments                | 1,000.0              | —                    | 1,000.0        | N/A            |
| <b>Total equity</b>                     | <b>16,442.0</b>      | <b>7,992.2</b>       | <b>8,449.8</b> | <b>105.7%</b>  |

The Group issued the perpetual subordinated bonds with a principal amount of RMB1,000.0 million on May 29, 2015. The interest rate of the bonds resets every 5 years thereafter based on a benchmark rate and a predetermined spread. The Group does not have any contractual obligation to deliver cash or other financial assets to redeem the perpetual subordinated bonds. The redemption of the bonds is solely at the discretion of the Group.

**(viii) Contingent Liabilities**

The Group has no contingent liabilities as at December 31, 2015.

**(ix) Pledge of Assets of the Group**

The Group has no pledge of assets as at December 31, 2015.

### (x) Income Tax Policy

In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), the Company and our PRC subsidiaries are subject to an enterprise income tax rate of 25%. Our Hong Kong subsidiaries are subject to a tax rate of 16.5% on their assessable profit. Income tax computation and payment are governed by the Announcement of the State Administration of Taxation on Printing and Distributing the Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by the Enterprises with Trans-regional Operations (《國家稅務總局關於印發〈跨地區經營匯總納稅企業所得稅徵收管理辦法〉的公告》) (Public Notice of the State Administration of Taxation [2012] No.57). During the year ended December 31, 2015, we had fulfilled all our tax obligations and did not have any unresolved tax disputes with the relevant tax authorities in China or other jurisdictions.

## IV. Significant Investment and Financial Activities of the Company

### (i) Equity Investment

There was no significant equity investment in 2015.

### (ii) Equity Financing

The Company was successfully listed on the Hong Kong Stock Exchange on November 9, 2015, and had issued a total of 703,115,600 H Shares by November 18, 2015, the date of the completion of the exercise of the over-allotment option. Among the total shares issued, NSSF sold 63,919,600 H Shares, and the remaining 639,196,000 H Shares were new shares issued. The offer price was HKD10.28 per share. The actual amount of the net proceeds was HKD6,401 million.

### (iii) Debt Financing

As of December 31, 2015, the Group's outstanding debt financing instruments with the remaining period of over 1 year are set out below:

| Type               | Tranche              | Size of Issuance     | Date of Issuance/<br>Date of Value | Maturity Date | Interest Rate   | Remarks   |
|--------------------|----------------------|----------------------|------------------------------------|---------------|---|---|
|                    | 13 subordinated bond | RMB<br>3,000 million | July 25, 2013                      | July 25, 2019 | Bearing an interest rate of 6% per annum in the first three years; 9% from the fourth to sixth year       | The Company has an option to redeem such subordinated bond on July 25, 2016 |
| Subordinated bonds | 15 subordinated bond | RMB<br>2,000 million | May 29, 2015                       | May 29, 2021  | Bearing an interest rate of 5.25% per annum in the first three years; 8.25% from the fourth to sixth year | The Company has an option to redeem such subordinated bond on May 29, 2018  |

| Type                         | Tranche   | Size of Issuance  | Date of Issuance/<br>Date of Value | Maturity Date  | Interest Rate  | Remarks   |
|------------------------------|---|-------------------|------------------------------------|----------------|--|---|
| Perpetual subordinated bonds | 15 perpetual subordinated bonds                 | RMB 1,000 million | May 29, 2015                       | —              | Bearing an interest rate of 5.70% per annum in the first five years, and subject to reset every five years | As at the end of each five-year period, the Company has a right to extend the term of such perpetual subordinated bonds for another five-year period  |
| Notes payable                | USD-denominated notes issued by CICC Hong Kong  | US\$165 million   | April 28, 2011                     | April 28, 2021 | 6.375%   | The issuer has an option to redeem such notes payable after April 28, 2016  |
| Syndication loan             | Syndicated term loan facility of CICC Hong Kong | US\$250 million   | July 17, 2015                      | May 19, 2018   | LIBOR plus 2.5%  | The issuer can determine the interest period upon its drawdown and each subsequent borrower and has an option to early repay the loan wholly or partially with a prior notice no less than 30 calendar days |

In addition, in 2015, the Company completed 5 issuances of short-term commercial papers, with an aggregate principal amount of RMB4,100 million for the year; completed 19 issuances of beneficiary certificates, with an aggregate principal amount of RMB3,470 million for the year. As of December 31, 2015, the balance of beneficiary certificates payable of the Company amounted to RMB1,700 million. As of December 31, 2015, the balance of bank borrowings payable of CICC Hong Kong amounted to US\$90.97 million.



## V. Analysis of Core Competitiveness

**Leading Business Mix.** The Company has steadily established a comprehensive business mix consisting of “5+1” business lines, namely, Investment Banking, Equity Sales and Trading, FICC, Wealth Management, Investment Management and Research. The overall business structure is in good shape and therefore provides the Company the ability to service clients in an all-round manner. Currently, all business lines have established certain presence in relevant fields, which laid a solid foundation for the future development of the Company, and provided the Company with the potential to further increase the added value of services.

**High-quality Customer Base.** The Company has built up a strong foundation of a high-end client base, mainly comprising large-sized enterprises, high-quality emerging growth companies, professional institutional investors and increasing numbers of high-net-worth clients. The Company provides more complicated products with well-tailored services to meet the needs of high-end clients, who have strict criteria on services selection. Therefore, the Company charges a premium commission rate for high-end clients. In view of the forecasted significant increase in the numbers of high-end clients, the Company expects that rising demand from high-end client to further contribute to our business.

**Outstanding Cross-border Capability.** Since the inception, the Company has adhered to the international best practices with distinct international DNA. The Company established presence in cross-border business early, which enabled us to enjoy certain advantages in businesses such as Hong Kong IPOs and QFII/QDII products, etc. and to achieve strong growth in emerging businesses such as the Shanghai-Hong Kong Stock Connect business. Currently, the Company has maintained a higher revenue share of overseas business compared to that of the peers. The Company has established overseas operations in Hong Kong, New York, London and Singapore and managed cross-border businesses

by each business line. Over years of development, the Company has accumulated abundant overseas execution experiences and can seamlessly serve clients in both the domestic and overseas markets.

**Leading and Influential Research.** The Research of the Company has adhered to the principles of objectiveness, independence, prudence and professionalism. With a coverage of the global markets, our Research focuses on the fundamentals of the macro economy, and investment analysis of equity products, fixed income products and commodities etc. Through our global platform, the Company provides research services to domestic and overseas clients. Our in-depth understanding, thorough analysis and unique insights regarding enterprises and industries in China, have won the Company a reputation as “China Expert”.

**Premier Brand and Unique Culture.** The Company has won a good reputation with our effective and prudent risk management. Since the inception, the Company has formed and adhered to core values of “People Oriented, with Nation in Mind, Diligent and Professional, Pursuit of Perfection, Clients first, Integrity as Foundation, and Chinese Roots and International Reach”. The core values not only help us form team cohesiveness but also contribute to a strong risk management culture within the Company.

## VI. Risk Management

### Overview

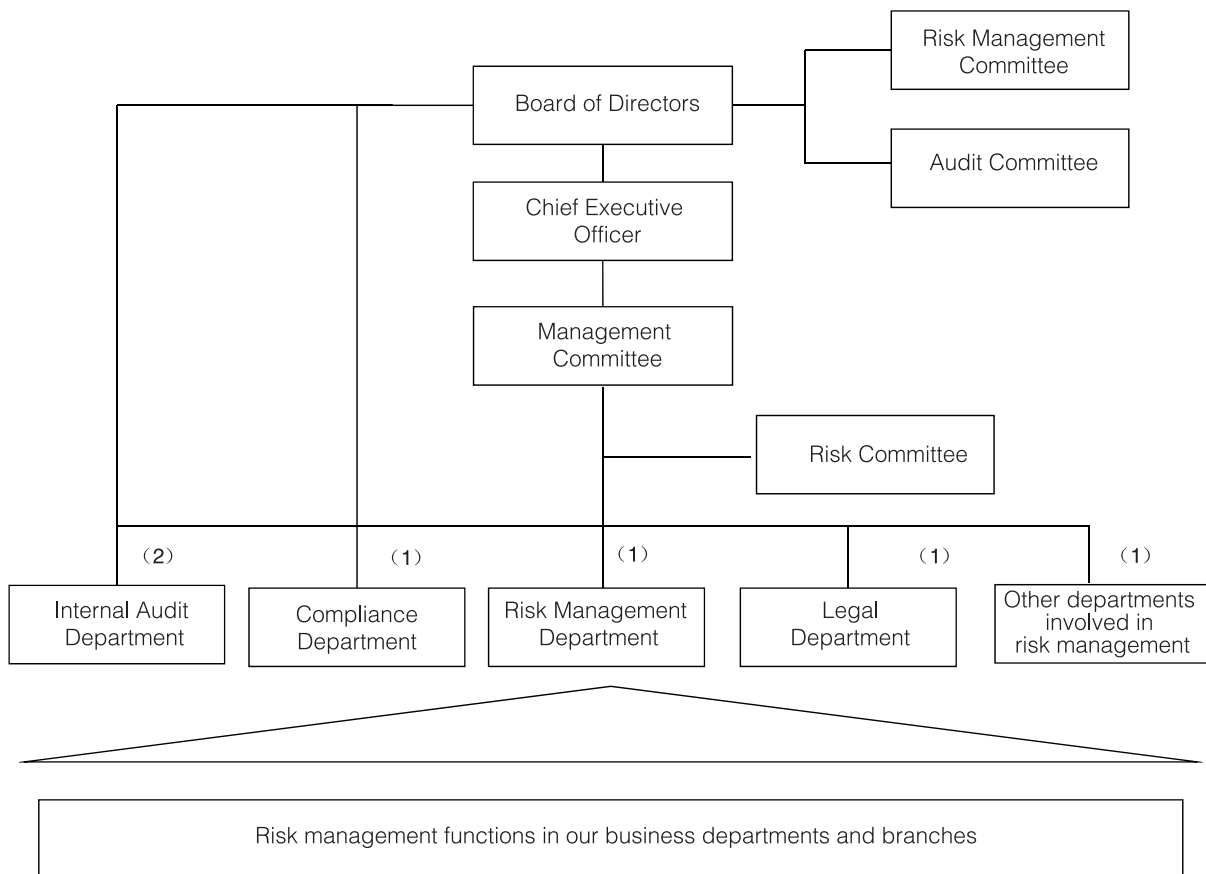
The Company has always believed that risk management creates value. The risk management of the Company aims to effectively allocate risk-based capital, limit risks to a controllable level, maximize the corporate value and constantly solidify the foundation for the steady and sustainable development of the Company. The Company has sound corporate governance, effective risk management measures and a strict internal control system. Therefore, the Company was granted the “AA” regulatory rating (the highest rating ever granted to PRC securities firm so far) by the CSRC for nine consecutive years since 2007 when the CSRC adopted the rating framework.

Pursuant to the relevant laws and regulations and regulatory requirements, the Company has established a sound governance structure system. The general meeting, the Board of Directors and the Supervisory Committee of the Company perform duties in accordance with the “Company Law”, the “Securities Law” and the Articles of Association and supervise and manage the business operations of the Company. Through enhancing and improving the internal control structure, compliance and risk management culture, the Board of Directors has made internal control and risk management an essential aspect of the business operation management of the Company.

### Risk Management Framework

The Company has established a four-level risk management structure: (i) Board of Directors, (ii) senior management, (iii) departments in charge of risk management and other departments performing risk management functions, and (iv) business departments and branches.

The organizational structure of the Company’s risk management is shown in the following chart:



- (1) The relevant departments report to particular members of the Management Committee in accordance with their respective duties.
- (2) The internal audit department is independent of the business departments of the Company and will report directly to the Audit Committee of the Board.

### **The First Level: Board of Directors**

The Board of Directors is the top level of our risk management and internal control governance structure and is responsible for evaluating our overall risk management goals and risk management policy of the Company. The Board of Directors performs its risk management duties primarily through the Risk Management Committee and the Audit Committee.

The Risk Management Committee is responsible for (i) deliberating on the overall goals and basic policies for compliance management and risk management; (ii) reviewing the organization design and duties of compliance management and risk management; (iii) evaluating the risk of important decisions and solutions to significant risks which require review by the Board of Directors; (iv) deliberating on compliance reports and risk assessment reports requiring review by the Board of Directors; and (v) other duties as authorized by the Board of Directors.

The Audit Committee is responsible for (i) supervising the annual audit, assessing the truthfulness, accuracy and integrity of information in the audited financial statements, and filing motions for consideration by the Board of Directors; (ii) recommending the appointment or change of the external auditor, and supervising the work of the external auditor; (iii) communication between internal and external audit; and (iv) other matters as delegated by the Board of Directors.

### **The Second Level: Senior Management**

Under the Board of Directors, the Company has established the Management Committee chaired by the Chief Executive Officer. The Management Committee determines the risk appetite of the Company in accordance with the overall risk management goals set by the Board of Directors and assumes a major responsibility of ensuring the effectiveness of the overall risk management of the Company.

### **Risk Committee**

Under the supervision of the Management Committee, the Risk Committee is responsible for (i) formulating and supervising risk management principles, policies and overall risk limits; and (ii) monitoring the capital level and material market, credit, liquidity and operational risks. Our Chief Operating Officer and Chief Risk Officer are the chairman and executive chairman of the Risk Committee, respectively. Other members of the Risk Committee include: (i) Chief Financial Officer; (ii) heads of the business departments of Equity Sales and Trading, FICC, Wealth Management, Investment Management, Investment Banking and Capital Markets; and (iii) Chief Compliance Officer and heads of the Legal Department, Operations Department, IT Department and Corporate Communications Department.

### **Chief Risk Officer**

The Chief Risk Officer is responsible for (i) leading the Risk Management Department to monitor, assess and report the overall risk level; (ii) approving risk management policies regarding market risk, credit risk, liquidity risk and operational risk, and approving risk limits of various businesses; and (iii) independently reviewing material market, credit, liquidity and operational risks, and supervising risk management processes. For details of the Chief Risk Officer, please refer to “Directors, Supervisors and Senior Management - Senior Management”.

### **The Third Level: Departments In Charge of Risk Management**

#### *Risk Management Department*

The Risk Management Department is the key department for risk management of the Company and mainly responsible for : (i) identifying, assessing, monitoring and reporting market, credit, liquidity and operational risks in the business activities of the Company; (ii) implementing risk management policies and procedures; and (iii) conducting independent risk assessment on new businesses and products.

### *Compliance Department*

The Compliance Department is responsible for (i) providing timely and independent opinions on compliance issues and regulatory requirements to the senior management and business departments; (ii) continuously identifying, assessing and managing compliance risks; (iii) supervising, monitoring and reporting the overall compliance status of the Company; and (iv) formulating the compliance policy of the Company and providing training to staff to improve their understanding of and compliance with the relevant applicable laws, regulations and guidelines as well as the internal policies of the Company.

### *Legal Department*

The Legal Department is responsible for managing risks relating to business operations and providing daily legal support and advice to the management, business departments and middle and back offices of the Company.

### *Internal Audit Department*

The Internal Audit Department reports directly to the Audit Committee under the Board of Directors. The internal audit department is responsible for (i) examining, assessing and reporting the overall internal control environment, risk assessment measures, internal control measures, reporting and monitoring measures of the Company; (ii) examining, assessing and reporting the adequacy of internal control measures of business departments and the effectiveness for implementation thereof; and (iii) making advisory opinions on the improvement and optimization of the Company on the internal control process.

### **Other Departments Involved in Risk Management**

Other departments involved in risk management include the Operations Department, the Financial Control Department, the Treasury Department, the IT Department and the Human Resources Department. Their risk management responsibilities are as follows:

The Operations Department is responsible for the centralized management of operation-related matters and regulating the clearing, settlement and reconciliation processes of business transactions.

The Financial Control Department is responsible for financial accounting and providing timely and accurate financial information to the management team, shareholders and regulatory authorities.

The Treasury Department takes the leading role in the liquidity risk management and manages assets and liabilities, capital, financing and cash flow of the Company, ensuring the liquidity of the Company, the compliance with the regulatory and risk management requirements and the efficient allocation of the financial resources through various management measures including assets and liabilities allocation, FTP and monitoring, financing management, daily fund allocation and cash management, etc.

The IT Department is responsible for the IT system and transactions and the security of customer data, maintain computer facilities and enhance the IT infrastructure so as to perform risk management functions for our national and overseas operations.

The Human Resources Department is responsible for providing staff and professional advice at the organizational level in respect of the processes designed for all business and functional departments, assisting in formulating the corresponding rules and organizing employee training so as to regulate employee behavior, reduce the human resources loss risk and the operational risk.

### **The Fourth Level: Business Departments and Branches**

During our daily business operations, all staff involved in business operations in our business departments and branches are required to perform risk management functions, including (i) complying with risk management policies and procedures in daily business operations; (ii) actively managing risks and ensuring risk exposures are maintained within limits; and (iii) communicating effectively with risk management departments.

### **Risk To Our Business Activities and Management Measures**

Risks related to business activities of the Company mainly include market risk, credit risk, liquidity risk, operational risk, compliance risk and legal risk, etc. The Company proactively responded to risks through effective risk management measures, which generally prevented the occurrence of significant risk events & ensured the stable development of the business operation of the Company. The business of the Company operated steadily and all risks were managed within a controllable and at a tolerable level.

#### **Market Risk**

Market risk refers to risks of changes in the fair value of financial assets resulting from the fluctuations in equity prices, interest rates, credit spreads, exchange rates and commodity prices, etc.

The Company has adopted the following measures to manage market risk:

- Business departments of the Company, as parties performing market risk management duties as the first line of defense, dynamically manage market risk of the exposures by way of diversifying risk exposures, controlling the size of positions and utilizing hedging instruments;

- The Risk Management Department independently assesses, monitors and manages the overall market risk of the Company with following measures:

- The Company measures market risk mainly by means of Value at Risk (VaR) analysis, stress tests and sensitivity analysis, etc. VaR is a major tool for measuring and monitoring market risk. VaR measures the potential maximum loss to an asset portfolio by changes in market risk factors at a certain confidence level within a certain holding period. The Company computes the single day VaR at a confidence level of 95% by adopting a historical simulation method based on three years of historical data and examines the effectiveness of the model through the method of back testing on a regular basis. Meanwhile, the Company adopts stress test to complement the VaR analysis and measures whether the investment loss of the Company is within the scope of the risk tolerance when market risk factors such as equity price, interest rate, credit spread, exchange rate and commodity price undergo extreme changes. In addition, in respect of sensitivity factors of different assets, the Company measures the impact of changes in specific factors on the value of assets by calculating the corresponding sensitivity indicators.
- The Company has formulated a risk limit indicator framework. Risk limit is a means for controlling risks and also represents the risk appetite and risk tolerance of the Company. The Company sets appropriate market risk limits based on the business nature, such as notional limit, VaR limit, concentration limit, sensitivity limit and stop-loss limit, etc.

- The Company monitors risk limit usage in real time or on a daily basis. The Risk Management Department prepares daily risk reports to monitor the usage of limits and submit them to the senior management and business departments. When the limit usage triggers the warning line, the Risk Management Department will issue a warning notice to business departments. Once the risk indicators exceed the limits, business departments shall report reasons of the breach and measures to be taken to the Chief Risk Officer or his authorized person and shall be responsible for reducing the risk exposure to a level within the limits in a given timeframe. If this cannot be achieved, they are required to apply to the Chief Risk Officer or his authorized person for temporary increase in limit. If necessary, the Chief Risk Officer will submit a request to the senior management.

### Value at Risk (VaR)

The total VaR Limit of the Company is RMB56 million. At the same time, we set VaR limits for various financial instruments and the Risk Management Department computes VaRs of these financial instruments on a daily basis to ensure the daily VaRs are maintained within limits. The following tables set forth our computed VaRs by risk categories as of the dates and for the periods as indicated: (i) the daily VaRs as of the end of the respective period; (ii) the averages of daily VaRs during the respective period; and (iii) the highest and lowest daily VaRs during the respective period.

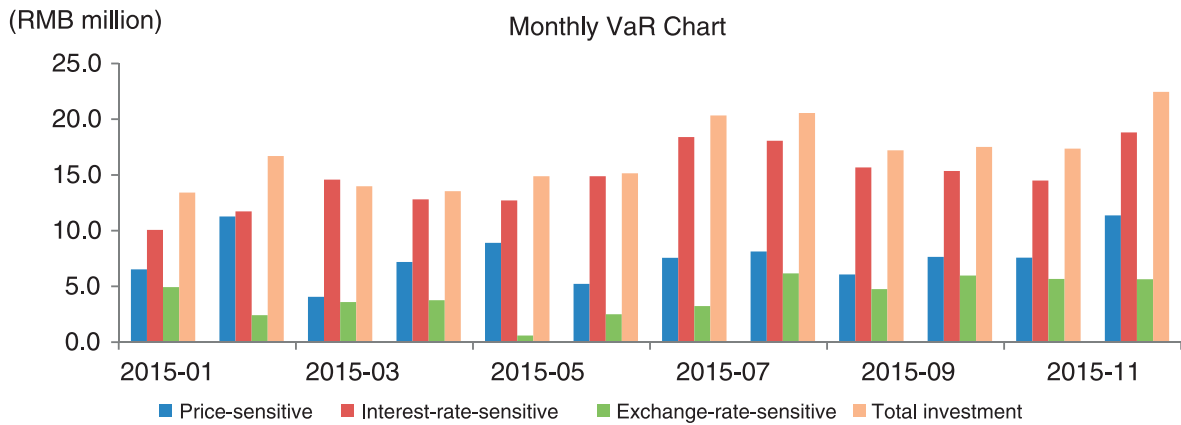
| (RMB million)  | As of 31 December |             | 2015        |             |            | 2014        |             |            |
|--|-------------------|-------------|-------------|-------------|------------|-------------|-------------|------------|
|  | 2015              | 2014        | Average     | Highest     | Lowest     | Average     | Highest     | Lowest     |
| Price sensitive financial instruments <sup>(1)</sup>         | 11.4              | 5.1         | 7.4         | 13.5        | 3.1        | 8.3         | 22.5        | 1.0        |
| Interest rate sensitive financial instruments <sup>(2)</sup> | 18.8              | 9.3         | 14.4        | 21.5        | 7.4        | 11.7        | 16.4        | 7.8        |
| Exchange rate sensitive financial instruments <sup>(3)</sup> | 5.6               | 2.9         | 4.3         | 9.7         | 0.1        | 4.2         | 8.8         | 0.4        |
| <b>Total portfolio</b>                                       | <b>22.5</b>       | <b>12.3</b> | <b>16.7</b> | <b>24.5</b> | <b>8.9</b> | <b>16.2</b> | <b>29.3</b> | <b>8.7</b> |

(1) including equities and the price-sensitive portion of derivative products

(2) including fixed income products and the interest-rate-sensitive portion of derivative products

(3) including financial products subject to exchange rate changes (including derivative products)

The chart below sets forth the total VaRs and VaRs by risk categories of the Group as of the end of each month in 2015



## Credit Risk

Credit risk refers to the risk resulting from defaults or deterioration in creditworthiness of counterparties, borrowers and security issuers.

The exposure to credit risk of the Company arises mainly from:

- Direct credit risk from debt borrowers or bond issuers, default or bankruptcy, including the loss due to intermediary institutions (such as brokers or custodian banks). The risk exposure represents the total value of outstanding debts;
- Credit risk from a counterparty's default on the OTC derivative transactions (such as swaps or forward transactions). The risk exposure is determined by the changes in the market value of the derivatives;
- The settlement risk from a business partner's failure in delivery of funds or securities when the Company has fulfilled its delivery obligation.

The Company adopted the following measures to manage credit risk in our trading and investment activities:

- Setting up investment criteria and limits on products and issuers;
- Reviewing credit terms in agreements with counterparties;
- Monitoring our credit exposure to counterparties.

The Company has adopted the following measures to manage credit risk in our capital-based intermediary businesses, including margin financing and securities lending, stock-based lending transactions and total return swaps:

- Approving counterparties, and assigning credit ratings and lending limits to counterparties;
- Managing collaterals (haircut rates, liquidity and concentration) and closely monitoring margin ratios and/or collateral ratios;
- Establishing and implementing margin call and mandatory liquidation policy.

### Credit Risk Exposure to Bond Investments of the Group

|                                | As of 31 December, 2015 (RMB million) |             |             |
|--------------------------------|---------------------------------------|-------------|-------------|
|                                | Position                              | DV01        | Spread DV01 |
| Bloomberg Comprehensive Rating |                                       |             |             |
| – AAA grade                    | 12.8                                  | 0.01        | —           |
| – AA- to AA+grade              | 154.3                                 | 0.02        | 0.03        |
| – A- to A+                     | 1,289.2                               | 0.27        | 0.27        |
| – lower than A-                | 1,784.1                               | 0.36        | 0.45        |
| Sub-total                      | 3,240.4                               | 0.66        | 0.75        |
| Other Comprehensive Rating     |                                       |             |             |
| – AAA grade                    | 11,624.5                              | 2.31        | 1.47        |
| – AA- to AA+grade              | 2,165.6                               | 0.35        | 0.34        |
| – A- to A+                     | —                                     | —           | —           |
| – lower than A-                | —                                     | —           | —           |
| Sub-total                      | 13,790.1                              | 2.66        | 1.81        |
| – Non-rated                    | 3,549.3                               | 0.93        | 0.05        |
| <b>Total</b>                   | <b>20,579.8</b>                       | <b>4.25</b> | <b>2.61</b> |

Note: Non-rated financial assets mainly represent debt instruments and trading securities issued by the MOF, PBOC, and policy banks, which are creditworthy issuers in the market but are not rated by independent rating agencies.

- The Risk Management Department uses DV01 and Spread DV01 to measure the interest rate sensitivity and credit spread sensitivity of bonds. DV01 measures the change in the value of interest rate sensitive products for each parallel movement of one basis point in a market interest rate curve. Spread DV01 measures the change in the value of credit sensitive products for each parallel movement of one basis point in the credit spread.



### Margin Financing and Securities Lending Business

The table below sets forth the market value of collaterals and the collateral ratio of the margin financing and securities lending business of the Group as of the date indicated:

|                             | As of 31 December<br>2015<br>(RMB million) |
|-----------------------------|--|
| Market Value of Collaterals | 14,591.0                                   |
| Collateral ratio            | 433%                                       |

Note: The collateral ratio of the margin financing and securities lending business is calculated as the ratio of the client's total account balance (including cash and securities held) to the client's balance of margin loans and securities borrowed from the Company (i.e. the sum of margin loans extended, the securities sold short and any accrued interests and fees).

As of 31 December 2015, the collateral ratio of the margin financing and securities lending business of the Group was 433%. Assuming the market value of all securities as collaterals of our margin financing and securities lending business declines by 10% and 20% respectively, the collateral ratio of our margin financing and securities lending business as of 31 December, 2015 will be 391% and 354% respectively.

### Stock-based Lending Business

The table below sets out market value of collaterals and the collateral ratio of the stock-based lending business of the Group:

|                             | As of 31 December<br>2015<br>(RMB million) |
|-----------------------------|--|
| Market value of Collaterals | 4,776.9                                    |
| Collateral ratio            | 393%                                       |

Note: The collateral ratio of the stock-based lending business refers to the ratio of the total market value of the pledged collateral and its yields to the client's total amount payable to the Company.

### Liquidity Risk

Liquidity risk refers to the risks arising from the Company's inability to obtain sufficient funds in a timely manner or inability to obtain sufficient funds at reasonable costs in a timely manner to respond to asset growth, settle debts due and satisfy the funding needs in conducting normal business operations.

The Company implements vertical and centralized management on liquidity risks of all domestic and overseas branches and subsidiaries. The Company has adopted the following measures to manage liquidity risk:

- Closely monitoring the Company's balance sheet, and managing liquidity gaps between assets and liabilities;
- Setting liquidity risk limits based on regulatory requirement and the Company's business situation;
- Conducting cash flow forecast and stress testing on liquidity coverage ratio and other liquidity risk indicators on a regular and irregular basis to analyze and assess the Company's liquidity risk exposure;
- Holding substantial high-quality liquid asset for a long term to support business needs, and establishing liquidity contingency plan for potential liquidity emergencies.

The Company constantly broadened and diversified its funding channels to optimize the liability structure. The funding instruments of the Company included perpetual subordinated bonds, subordinated bonds, syndication loan, commercial papers, beneficiary certificates, inter-bank borrowing, REPOs, etc. The Company maintained good relationship with major commercial banks and had sufficient bank credit to meet the funding requirement for business development. In 2015, as assessed by China Cheng Xin International Credit Rating Co. Ltd. (中誠信國際信用評級有限責任公司), the credit rating of the Company was AAA and the rating outlook is stable.

In 2015, the Company's liquidity risk management was sound, the liquid reserve was sufficient, and the liquidity risk was under control.

In 2015, the liquidity risk control indicator of the Company continued to comply with the regulatory requirements. As of the end of 2015, the liquidity coverage ratio and the net stable funding ratio of the Company were 303.78% and 169.87%, respectively.

### Operational Risk

Operational risk refers to the risks of losses resulting from failed or defective internal procedures or IT systems, human factors and external events.

The Company has adopted the following measures to manage operational risk:

- Establish a transparent organizational structure with a proper decision-making mechanism;
- Implement sound policies and procedures and enforcing checks and balances;
- Establishing new product approval policy to define roles and responsibilities;
- Establishing a business contingency plan to ensure business continuity in the event of sudden business disruptions.

### Compliance Risk

Compliance risk refers to the risk of legal sanctions, regulatory actions, loss of property or damage to our reputation because of the violation of laws, regulations, self-regulatory rules or our internal rules arising from our operations and management activities or employee behavior.

The Company has adopted the following measures to manage compliance risk:

- The Company formulate and update our internal policies and procedures to keep abreast with changes in laws, regulations and industry norms;

- The Company conduct compliance reviews for new businesses. Our professional compliance team is responsible for examining new businesses and providing compliance advice. We implement effective compliance risk management measures at an early stage of new businesses;
- The Company control the circulation of sensitive information by monitoring information flows and establishing dynamic Chinese walls, with the aim to prevent risks of insider trading and conflicts of interest;
- The Company has established a sound internal control system for anti-money laundering to fulfill our responsibilities for client identification and classification of client risk level. We identify and analyze suspicious transactions and promptly report to the regulators where necessary;
- The Company undertake compliance reviews in accordance with applicable laws, regulations, other regulatory documents, self-regulatory rules, industry norms and our internal policies, to monitor the compliance of our business operations and employee activities and identify and manage compliance risks in a proactive manner;
- The Company adopt various means to cultivate a compliance culture with each business line, functional department and branch and provide compliance training to our employees to improve their compliance awareness;
- The Company has established an accountability system in respect of employees' violations of laws, regulations and internal policies to impose applicable punishments on offenders.

## Legal Risk

Legal risk refers to the possible risk of economic loss or damage to our reputation resulting from breach of contracts, infringement-related disputes, litigation or other legal disputes. The Company manages, controls and prevents legal risks mainly through the following measures:

- The Company continuously enhances our internal policies and business procedures from a legal perspective to ensure that our operations and management satisfy the requirements of applicable laws and regulations;
- The Company formulates templates for various business contracts and require our business departments to use our in-house templates to the fullest extent. We also review contracts drafted or provided by counterparties prior to entering into such contracts to mitigate the legal risk associated with performing such contracts;
- The Company has internal policies on the engagement of external attorneys in the ordinary course of our business or when dealing with disputes and legal proceedings;
- The legal department of the Company is responsible for (i) the application, maintenance and protection of our trademarks, (ii) protection of our goodwill and trade secrets and (iii) taking actions against behavior that harms our reputation or interests;
- The Company conducts legal training to enhance our employees' legal awareness;
- The Company takes active measures to mitigate legal risks when disputes and litigation arise.



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# Directors' Report

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## I. Principal Business of the Company

The principal businesses of the Company are Investment Banking, Equity Sales and Trading, FICC, Wealth Management, Investment Management and relevant financial services. The business operations and prospects of the Company and risks to our business activities are respectively set out in “Management Discussion and Analysis – Analysis of Principal Business” and “Management Discussion and Analysis – Risk Management” in this report. Particulars of important events affecting the Company are set out in “Other Significant Events” in this report. The key financial indicators of the Company are set out in “Summary of Accounting Data and Financial Indicators” and “Independent Auditor’s Report and Notes to the Financial Statements” in this report.

## II. Dividend

The Board does not recommend the distribution of a final dividend for the year ended 31 December, 2015.

## III. Issuance of Shares and Utilization of Proceeds

To meet the capital needs for business development and promote development of the Company and as approved by the CSRC (Zheng Jian Xu Ke [2015] No. 1816), the Company issued 555,824,000 H Shares at an offer price of HKD10.28 per share in November 2015 through public offering on the Hong Kong Stock Exchange, and placed 83,372,000 H Shares upon the exercise of over-allotment option at the price of HKD10.28 per share, all of which have been listed on the Hong Kong Stock Exchange, raising proceeds of HKD5,561 million and HKD839 million respectively (after deducting the issuance expenses). The actual net proceeds raised by the Company amounted to HKD6,401 million (equivalent to RMB5,252 million).

According to the description of the use of proceeds from the global offering (including proceeds from the exercise of the over-allotment option) as set out in the prospectus, the Company intends to use the proceeds from the global offering in the following manner:

1. approximately 45% to be used to further develop the businesses of equity sales and trading and FICC;
2. approximately 20% to be used to develop the Company’s wealth management business;
3. approximately 5% to be used to develop the Company’s investment management business;
4. approximately 20% to be used in the international business to enhance the Company’s cross-border capabilities and global influence; and
5. approximately 10% to be used for working capital and general corporate purpose.

As at the end of the Reporting Period, the Company has utilized RMB4,212 million of the proceeds (including deposit interest) on an accumulative basis for purposes set out in the prospectus as further discussed below and there has been no change of use of proceeds. As at the end of the Reporting Period, the balance of proceeds in accounts was equivalent to RMB1,117 million (exchange rate of 0.83778). The remaining unutilized proceeds from the global offering include the amount subsequently required to be used for the purposes stated in the prospectus and any outstanding issuance expenses.

| Purposes                                      | Any change in use and reasons for change (if applicable) | Proceeds invested during the Reporting Period (Unit: RMB) | Percentage of proceeds invested during the reporting period |
|---|--|---|---|
| Equity sales and trading and FICC             | Nil  | 2,369,482,836.45  | 56%   |
| Wealth management business                    | Nil  | 1,053,107,141.99  | 25%   |
| Investment management business                | Nil  | 263,276,785.49  | 6%  |
| International business                        | Nil  | 0   | 0%  |
| Working capital and general corporate purpose | Nil  | 526,553,570.99  | 13%   |
| <b>Total</b>                                  |  | <b>4,212,420,334.92</b>                                   | <b>100%</b>   |

#### IV. Issuance of Debentures

In 2015, the Company has completed one issuance of Renminbi-dominated subordinated bonds of RMB2 billion and one issuance of Renminbi-dominated perpetual subordinated bonds of RMB1 billion. The funds raised were used to replenish the net capital and working capital of the Company. Additionally, in 2015, the Company has completed five issuances of short-term commercial papers, with an aggregate principal amount of RMB4.1 billion. The proceeds raised were used to replenish the Company's liquidity.

#### V. Directors and Supervisors' Service Contracts

Each of the Directors and Supervisors entered into a service contract with the Company. The Directors or Supervisors can be reelected upon expiry of their term of office after approval by the shareholders' general meeting (but the term of office of independent non-executive Directors shall not exceed six years if reelected).

In addition, none of the Directors or Supervisors has entered into a service contract with the Company or any of its subsidiaries which cannot be terminated within one year without compensation (other than statutory compensation).

## VI. Permitted Indemnity

The Company has maintained liability insurance policies for its Directors, Supervisors and senior management. All policies are underwritten by renowned insurance companies. The Company reviews the policies each year.

## VII. Directors' and Supervisors' Interest in Contracts of Significance

No contracts of significance to which the Company or its subsidiaries was a party and in which a Director or Supervisor of the Company had a material interest, whether directly or indirectly, has been entered into during the Reporting Period.

## VIII. Directors' Interests in Businesses That Compete With the Businesses of the Company

Save as disclosed in the "Biographies of Directors, Supervisors and Senior Management" section of this report, none of the Directors has any interests in any business, which competes with the businesses of the Company.

## IX. Rights of Directors to Acquire Shares or Debentures

As of December 31, 2015, none of the Directors, Supervisors or their respective spouses or minor children under 18 years of age were granted with rights or had exercised any such rights to acquire benefits by means of acquisition of shares or debentures of the Company. Neither the Company nor any of its subsidiaries were a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children under 18 years of age to acquire such rights from any other body corporate.

## X. Management Contracts

Save for employment contracts with employees, the Company did not enter into any contracts nor had any existing contracts in respect of all or any significant part of management and administration of business of the Company been in effect during the Reporting Period.

## XI. Other Disclosures

### (i) Pre-emptive Rights

The Company currently has no arrangements in respect of pre-emptive rights according to the provisions of PRC laws and the Articles of Association.

**(ii) Reasons for and Impact from Changes of Accounting Policies, Accounting Estimates or Correction of Major Accounting Errors**

There has been no change of accounting policies or accounting estimates or major accounting errors in 2015.

**(iii) Tax Relief and Exemption Information for Holders of H Shares**

The holders of H Shares of the Company shall pay relevant tax and/or enjoy tax relief and exemption in accordance with the following provisions:

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends paid to individuals by PRC companies are generally subject to an individual income tax levied at a flat rate of 20%. For a foreign individual who has no domicile in the PRC and does not stay in the territory of the PRC or who has no domicile in the PRC and has stayed in the territory of the PRC for less than one year, his/her receipt of dividends from a PRC company is normally subject to PRC withholding tax of 20% unless specifically exempted or reduced by an applicable tax treaty.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Holders of H Shares who are Overseas Non-resident Enterprises (Guo Shui Han [2008] No.897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to holders of H Shares who are overseas non-resident enterprises, shall withhold the enterprise income tax at a flat rate of 10%. A non-PRC resident enterprise which is entitled to a preferential tax rate under an applicable tax treaty or arrangement may, directly or through its agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld.

Pursuant to the "Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets" (Cai Shui [2014] No.81) (《財政部國家稅務總局證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), for dividends derived by Mainland individual investors from investing in H-shares listed on the Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect, H-share companies shall withhold individual income tax at a tax rate of 20% for the investors. For Mainland securities investment funds investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. Dividends derived by Mainland enterprise investors from investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock



Connect shall be reported and paid by the enterprise investors themselves. H-share companies will not withhold or pay enterprise income tax on their behalf in the distribution of dividends. For dividends derived by Mainland resident enterprises where the relevant H shares have been continuously held for more than 12 months, the enterprise income tax thereon may be exempt according to the tax law.

**(iv) Reserves and Distributable Profit Reserves**

For the movement of distributable profit, please refer to the “consolidated statement of changes in equity” and the notes to the financial statements of this report.

**(v) Major Clients and Suppliers**

We have a high-quality and diversified client base (primarily consisting of industry-leading corporations, institutional investors and high-net-worth individuals). We develop and maintain long-term relationships with clients and is dedicated to providing them with a comprehensive suite of products and services. We have won our clients' loyalty through our deep engagement and our thorough knowledge and understanding of their businesses. Our clients always entrust us to handle their strategically important and sophisticated transactions.

In 2015, our income and other revenue from the top five clients did not exceed 10% of our total revenue and other income.

By virtue of the nature of our business, we have no major suppliers.

## (vi) Charitable Activities

During 2015, We donated a total of RMB3 million to society. The entire amount has been donated to the Beijing CICC Charity Foundation.

As one of our platforms for carrying out charitable and welfare activities, the Beijing CICC Charity Foundation has materialized our corporate culture of performing corporate social responsibilities on long-term basis by facilitating CICC and its employees to actively participate in social welfare and charitable activities.

1. During 2015, the Beijing CICC Charity Foundation donated a total of RMB2,132,760.88 to five charitable organizations/projects, including:
  - CICC Teachers' Development Fund of Dandelion Secondary School of Daxing District in Beijing: RMB488,000.00, for enhancing the conditions of Dandelion Secondary School of Daxing District in Beijing, awarding commendation and encouragement to outstanding teachers, provision of teaching skills trainings, supporting teaching activities by volunteers.
  - Village Early Education Center plan in Guzhang County, Hunan Province: RMB1,328,000.00, for the establishment of a village early education



**As one of our platforms for carrying out charitable and welfare activities, the Beijing CICC Charity Foundation has materialized our corporate culture of performing corporate social responsibilities on long-term basis by facilitating CICC and its employees to actively participate in social welfare and charitable activities.**



center in Guzhang County, Hunan Province, recruitment of volunteer kindergarten teachers for the village early education center, provision of training to volunteers and provision of basic pre-school education to all young children aged 3 to 5 within the County.

- Shanghai Adream Charitable Foundation: RMB56,760.88, for supporting the “Adream Center” project and active exploration and promotion of better education opportunities for teenagers and youths in less developed regions.
- The Mother and Child Healthcare Association of Tibet Autonomous Region: RMB200,000.00, for supporting the development of mother and infant healthcare training to village doctors and community training of mother and infant healthcare education

in the Tibet Autonomous Region, aiming to change the existing high mortality rate of mother and babies and congenital disabilities of children, by enhancing the medical skills of village medical professionals and healthcare awareness of mother and infant among farmers and shepherds in remote areas.

- Beijing Hefeng Art Foundation: RMB60,000.00, for supporting art education in China, promotion of mass arts and facilitating the undertaking of socialist welfare.
2. In addition to money donations, CICC has also donated 12 sets of desktop computers to the Education Bureau of Guzhang County, Hunan Province, in August 2015, for improving the office working conditions of volunteer teachers, who plan to teach in the village early education center in Guzhang County, Hunan Province.
  3. As a key element in the CICC corporate values, CICC employees demonstrated its care for society with concrete actions and active involvement in social welfare and charitable activities.
    - In June 2015, employees of the Changsha brokerage branch of CICC paid a study tour to the village early education center project in Guzhang County, Hunan Province, and donated books, toys, learning instruments and materials the local pre-school kindergarten students.
    - In July 2015, the CICC Parenting Charitable Summer Camp “True love angels (weave a dream in Ningxia)” have been successfully held in Ningxia and Inner Mongolia. The CICC Parenting Charitable Summer Camp aims to provide an opportunity for parents and children to grow together amidst love and experience. CICC will organize caring families to participate each year. Children, with the company of their parents will complete a joint fund raising exercise for building a “Dream Center” in remote regions to support the promotion of the concept of true love and quality education, and travel to the site to complete construction work together with local teachers and children during summer vacation on self-financed basis.
    - In December 2015, CICC has successfully organized the “CICC Charity Walk” activity at Chaoyang Park in Beijing. Nearly 300 employees of CICC and their family members, together with former employees and clients of CICC have participated. These participants of the “CICC Charity Walk” have raised total donations of RMB71,050.00 for the Beijing CICC Charity Foundation.

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# Other Significant Events

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## I. Material Litigation and Arbitration

During the Reporting Period, the Group did not have any material litigation or arbitration.

## II. Material Contracts and Execution

During the Reporting Period, the Group had not engaged in any material trusteeship, contracting and lease and no such matters were carried forward to the Reporting Period from the previous period.

## III. Connected Transactions

The Group conducts connected transactions in strict accordance with the Listing Rules, “Policy on Information Disclosure Management of China International Capital Corporation Limited” and “Policy on Management of Connected Transactions of China International Capital Corporation Limited”. The Group’s connected transactions are conducted based on the principles of openness and fairness, and the connected transaction agreements are entered into based on the principles of equality, voluntariness, equivalence and compensation. During the Reporting Period, the Group conducted the following non-exempt connected transactions in accordance with the Listing Rules:

### **Non-exempt Continuing Connected Transactions**

In the ordinary and usual course of our business, the Group provides various securities and financial services to GIC, for which the Group receives commissions or fees from GIC.

On October 13, 2015, the Company entered into the Securities and Financial Services Framework Agreement (the “Framework Agreement”) with GIC. Pursuant to the Framework Agreement, the Group will provide securities and financial services and guarantee to GIC on normal commercial terms. The Framework Agreement became effective on the Listing Date and will continue to be effective until December 31, 2017, subject to renewal. The securities and financial services and guarantee to be provided by the Group to GIC after listing under the Framework Agreement include: (i) securities brokerage services; (ii) index futures sales and trading services (through Fortune Futures), together with a guarantee by the Group for any obligations of Fortune Futures in relation to GIC’s margin deposits in Fortune Futures; and (iii) investment fund management services.

For securities brokerage services, the Group charges a brokerage commission calculated as a fixed percentage of the amount of securities in respect of each trade effected by the Group on behalf of GIC. The Group has adopted a market-based brokerage commission policy. The rate of commission charged by the Group from GIC is determined based on the arm’s length negotiation from time to time with reference to various factors, including (i) the total amount of transactions of GIC effected through the Group; and (ii) the prevailing market rates for securities trades of a similar size. For index futures sales and trading services, the Group charges a commission based on arm’s length

negotiation with reference to the prevailing market rates. For investment fund management services, the Group charges management fee and carry interest will be determined based on the arm's length negotiation between the Group (as fund manager or general partner) and the limited partners (including GIC) taking into account factors including the capital contribution to the fund by the relevant limited partner, the specific industries that the investment fund will focus on and the prevailing market rates.

The annual caps for the continuing connected transactions in respect of the Group's provision of securities and financial services under the Framework Agreement to GIC for the three years ending December 31, 2017 are as follows:

|   | Annual caps   |       |       |
|---|---------------|-------|-------|
|   | 2015          | 2016  | 2017  |
|   | (RMB million) |       |       |
| Provision of securities and financial services by the Group to GIC  | 50.2          | 65.9  | 76.5  |
| Provision of the guarantee in connection with provision of index futures trading services by the Group to GIC | 300.0         | 300.0 | 300.0 |

As the highest applicable percentage ratios (other than the profit ratios) calculated by reference to Rule 14.07 of the Listing Rules for the securities and financial services and the guarantee respectively are on an annual basis above 0.1% and less than 5%, the transactions are subject to the reporting, annual review and announcement requirements but exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules. The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver to exempt the securities and financial services and the guarantee provided to GIC under the Framework Agreement from compliance with the announcement requirement under the Listing Rules.

During 2015, the actual transaction amounts in respect of the securities and financial services provided to GIC are as follows:

|   | Actual transaction amounts for 2015 | Annual Caps for 2015 |
|---|-------------------------------------|----------------------|
|   | (RMB million)                       |                      |
| Provision of securities and financial services by the Group to GIC  | 39.9 <sup>(1)</sup>                 | 50.2                 |
| Provision of the guarantee in connection with provision of index futures trading services by the Group to GIC | 0                                   | 300.0                |

(1) Calculated based on the income received by the Group in respect of the securities and financial services provided to GIC.

In respect of the non-exempt continuing connected transactions mentioned above, the Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules. When conducting the above non-exempt continuing connected transaction, the Company complied with the pricing policy and guidelines formulated when the transaction was entered into.

In respect of the continuing connected transactions with GIC, the Internal Audit Department reviewed the (i) Company's "Policy on Management of Connected Transactions of China International Capital Corporation Limited"; (ii) the terms of the Framework Agreement (including but not limited to the rate of commission payable by GIC to the Group; (iii) the pricing policies of the Group; (iv) the annual cap as set by the Company; (v) and the effectiveness of the design and implementation of the internal control measures. The findings and conclusions of the Internal Audit Department are set out in a report (the "Internal Audit Report"), which was presented to the Independent non-executive Directors of the Company.

The independent non-executive Directors of the Company, having reviewed the continuing connected transactions with GIC and the Internal Audit Report, confirmed that such continuing connected transactions:

- (1) are in the ordinary and usual course of business of the Group;
- (2) are on normal commercial terms; and
- (3) are conducted in accordance with the relevant agreements 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, in which the auditors have expressed the following conclusion on the disclosed continuing connected transactions:

"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 Company.
- 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, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company."

Save as disclosed above, for the year ended December 31, 2015, no other related party transactions as set out in note 50 to the financial statements constitute connected transactions or continuing connected transactions required to be disclosed under the Listing Rules. For connected transactions and continuing connected transactions disclosed above, the Company has complied with the disclosure requirements under the Listing Rules from time to time.

#### IV. Material Acquisitions and Disposals During the Reporting Period

During the Reporting Period, the Group did not have other material acquisitions and disposals of subsidiaries, associates, joint operations or joint ventures, swaps and asset reorganizations.

#### V. Compliance With Laws and Regulations

During the Reporting Period and up to the Latest Practicable Date, the Company had complied with the laws and regulations and regulatory requirements of the places where the Company operates in all material respects. For further details about relevant laws and regulation, please see the Prospectus. Except for the following disclosures, none of the Company and the Directors, Supervisors and senior management of the Company were subject to any investigation initiated or administrative penalties imposed by the CSRC, banned from entering the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial organs or held criminally responsible.

In February 2015, the Hubei Bureau of the CSRC conducted an onsite inspection of the margin financing and securities lending, repurchase agreement transactions, stock-based lending, and total return swap business of the Company covering the period from January 1, 2014 to January 31, 2015. On April 2, 2015, the CSRC issued the “Decision regarding Taking Cautionary Measures against China International Capital Corporation” ([2015] No. 42) to the Company identifying the following issues in the margin financing and securities lending business of the Company: the Company provided margin financing and securities lending services to certain clients who had a continual trading record with us of less than six months; and extended the contractual term of margin financing and securities lending contracts after the expiration of the maximum contractual period.

The CSRC amended and implemented the “Administrative Measures on Margin Financing and Securities Lending of the Securities Companies” on July 1, 2015. The amended Administrative Measures relaxed the restriction on trading record in securities companies with which credit accounts are maintained. Investors who have a continual trading record with any securities company of more than six months can open a credit account. The measures also permit securities companies to negotiate with clients regarding the renewal of the margin financing and securities lending contracts.

#### VI. Subsequent Events

The Group repaid its issued beneficiary certificates (CICC Jinyintong No.3, CICC Tianxinbao No.14 and CICC Jinyintong No.5) with an aggregated principal amount of RMB700 million in January 2016. The Group settled the payment for issued beneficiary certificates (CICC Jinyintong No.4) with the principle amount of RMB500 million in March 2016.



# Changes in Shares and Information of Substantial Shareholders

As of December 31, 2015, the share capital structure of the Company is as follows

| Name of shareholders            | Number and class of securities | Approximate percentage of shareholding in the total share capital of the Company | Approximate percentage of shareholding in the relevant class of shares |
|---------------------------------|--------------------------------|--|--|
| Huijin                          | 656,193,871 Domestic Shares    | 28.448%  | 83.433%  |
| Jianyin Investment              | 911,600 Domestic Shares        | 0.040%   | 0.116%   |
| JIC Investment                  | 911,600 Domestic Shares        | 0.040%   | 0.116%   |
| China Investment Consulting     | 911,600 Domestic Shares        | 0.040%   | 0.116%   |
| GIC                             | 274,131,035 H Shares           | 11.884%  | 18.033%  |
| TPG                             | 171,749,719 H Shares           | 7.446%   | 11.298%  |
| KKR Institutions Investments    | 166,747,300 H Shares           | 7.229%   | 10.969%  |
| I&G                             | 127,562,960 Domestic Shares    | 5.530%   | 16.219%  |
| Mingly                          | 122,559,265 H Shares           | 5.313%   | 8.062%   |
| Great Eastern                   | 83,373,650 H Shares            | 3.614%   | 5.484%   |
| Public shareholders of H Shares | 701,616,400 H Shares           | 30.417%  | 46.154%  |

## I. Changes in Share Capital

The Company was successfully listed on the Hong Kong Stock Exchange on November 9, 2015 and initially issued 555,824,000 H Shares, and further issued 83,372,000 H Shares upon the exercise of over-allotment option. The 63,919,600 Domestic Shares held by Huijin, Jianyin Investment, JIC Investment and China Investment Consulting in aggregate were converted into H Shares on a one-for-one basis and sold subsequently, and all proceeds were transferred to the National Council for Social Security Fund of the PRC. GIC, TPG, KKR Institutions Investments, Mingly and Great Eastern converted 817,061,769 unlisted foreign shares in aggregate into H Shares on a one-for-one basis. After the completion of the global offering and the exercise of the over-allotment option, the total number of issued shares of the Company increased from 1,667,473,000 Shares to 2,306,669,000 Shares.

## II. Shareholders

As of December 31, 2015, the Company had 5 domestic Shareholders and 621 registered holders of H Shares.

As of December 31, 2015, Huijin, a significant Shareholder of the Company, was interested in approximately 28.57% of the total capital of the Company directly and indirectly.

Huijin, is a state-owned investment company established in accordance with the PRC Company Law. Huijin, which is headquartered in Beijing, was established in December 2003 and mandated to exercise the rights and the obligations as an investor in major state-owned financial enterprises, on behalf of the PRC Government. In September 2007, the Ministry of Finance issued special treasury bonds and acquired all the shares of Huijin from the PBOC. The acquired shares were injected into China Investment Corporation (“CIC”) as part of its initial capital contribution. However, Huijin’s principal shareholder rights are exercised by the State Council. The members of the Board of Directors and Supervisory Committee of Huijin are appointed by and are accountable to the State Council. In accordance with authorization by the State Council, Huijin makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the PRC Government in accordance with applicable laws, and to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity. It does not intervene in the day-to-day business operations of the enterprises in which it invests.

As of December 31, 2015, the Company had no controlling shareholders as defined under the Listing Rules or other prevailing laws and regulations.

### III. Disclosure Of Interests

#### Directors', Supervisors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As of December 31, 2015, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model code as set out in Appendix 10 to the Listing Rules were as follows:

| Name of Director/<br>Supervisor/<br>Chief Executive | Class of shares | Nature of interest                                     | Number of securities | Approximate percentage of shareholding in the total share capital of the Company | Approximate percentage of shareholding in the relevant class of shares |
|---|-----------------|--|----------------------|--|--|
| David Bonderman                                     | H Shares        | Interest of controlled corporation ( <i>Note 1</i> )   | 171,749,719          | 7.446  | 11.298   |
| Cha Mou Daid Johnson                                | H Shares        | Beneficial owner                                       | 753,600              | 0.033  | 0.050  |
|   |                 | Beneficiary of a discretionary trust ( <i>Note 2</i> ) | 122,559,265          | 5.313  | 8.062  |
| Edwin Roca Lim                                      | H Shares        | Beneficial owner                                       | 356,000              | 0.015  | 0.023  |
| Shi Jun   | H Shares        | Others ( <i>Note 3</i> )                               | 116,800              | 0.005  | 0.008  |
| Siu Wai Keung                                       | H Shares        | Beneficial owner                                       | 100,000              | 0.004  | 0.007  |
| Han Weiqiang  | H Shares        | Others ( <i>Note 4</i> )                               | 116,800              | 0.005  | 0.008  |

*Notes:*

- (1) The interests deemed to be held by Mr. David Bonderman consists of 171,749,719 H Shares held by TPG. Each of TPG Asia GenPar V, L.P. (as general partner of TPG), TPG Asia GenPar V Advisors, Inc. (as general partner of TPG Asia GenPar V, L.P.), TPG Holdings I, L.P. (as general partner of TPG Asia GenPar V Advisors, Inc.), TPG Holdings I-A, LLC (as general partner of TPG Holdings I, L.P.), TPG Group Holdings (SBS), L.P. (as the sole member of TPG Holdings I-A, LLC and the sole member of TPG Holdings II-A, LLC), TPG Group Holdings (SBS) Advisors, Inc. (as general partner of TPG Group Holdings (SBS), L.P.), Mr. David Bonderman and Mr. James Coulter (each holds a 50% interest in TPG Group Holdings (SBS) Advisors, Inc.), as well as TPG Capital Management, L.P. (as the managing general partner of TPG), TPG Capital Advisors, LLC (as general partner of TPG Capital Management, L.P.), TPG Holdings II Sub, L.P. (as the sole member of TPG Capital Advisors, LLC), TPG Holdings II, L.P. (as general partner of TPG Holdings II Sub, L.P.), TPG Holdings II-A, LLC (as general partner of TPG Holdings II, L.P.), is deemed to be interested in the H Shares held by TPG under the SFO. Mr. Bonderman and Mr. Coulter disclaim beneficial ownership of the securities held by TPG except to the extent of their pecuniary interest therein.
- (2) The interests deemed to be held by Mr. Cha Mou Daid Johnson consists of 122,559,265 H Shares held by Mingly. Mingly is held by certain, but not identical discretionary trusts as to 96.12%, of which CCM Trust (Cayman) Limited, LBJ Regents Limited and Dolios Limited are the corporate trustees, and Mr. Cha Mou Daid Johnson is among the members of the class of discretionary beneficiaries.
- (3) Mr. Shi Jun held interests through asset management schemes established by Galaxy Capital Asset Management Co., Ltd.
- (4) Mr. Han Weiqiang held interests through asset management schemes established by Galaxy Capital Asset Management Co., Ltd.

**Substantial Shareholders' Interests or Short Positions**

As of December 31, 2015, to the knowledge of the Company and the Directors after making reasonable inquiries, the following persons (other than the Directors, Supervisors and chief executive of the Company as disclosed above) have interests or short positions in shares or underlying shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

| Name of Substantial Shareholders               | Class of shares | Nature of interest                                    | Number of securities | Approximate percentage of shareholding in the total share capital of the Company | Approximate percentage of shareholding in the relevant class of shares |
|--|-----------------|---|----------------------|--|--|
| Huijin   | Domestic Shares | Beneficial owner                                      | 656,193,871          | 28.448   | 83.433   |
|  |                 | Interests of controlled corporation ( <i>Note 1</i> ) | 2,734,800            | 0.119  | 0.348  |
| GIC  | H Shares        | Beneficial owner                                      | 274,131,035          | 11.884   | 18.033   |
| TPG ( <i>Note 2</i> )                          | H Shares        | Beneficial owner                                      | 171,749,719          | 7.446  | 11.298   |
| KKR Institutions Investments ( <i>Note 3</i> ) | H Shares        | Beneficial owner                                      | 166,747,300          | 7.229  | 10.969   |
| I&G ( <i>Note 4</i> )                          | Domestic Shares | Beneficial owner                                      | 127,562,960          | 5.530  | 16.219   |
| Mingly ( <i>Note 5</i> )                       | H Shares        | Beneficial owner                                      | 122,559,265          | 5.313  | 8.062  |
| Great Eastern ( <i>Note 6</i> )                | H Shares        | Beneficial owner                                      | 83,373,650           | 3.614  | 5.484  |

*Notes:*

- (1) Each of Jianyin Investment, JIC Investment and China Investment Consulting is wholly owned by Huijin. Therefore, Huijin is deemed to be interested in 2,734,800 Domestic Shares held by Jianyin Investment, JIC Investment and China Investment Consulting for the purpose of the SFO.
- (2) Each of TPG Asia GenPar V, L.P. (as general partner of TPG), TPG Holdings I, L.P. (as general partner of TPG Asia GenPar V Advisors, Inc.), TPG Holdings I-A, LLC (as general partner of TPG Holdings I, L.P.), TPG Group Holdings (SBS), L.P. (as the sole member of TPG Holdings I-A, LLC and the sole member of TPG Holdings II-A, LLC), TPG Group Holdings (SBS) Advisors, Inc. (as general partner of TPG Group Holdings (SBS), L.P.), Mr. David Bonderman and Mr. James Coulter (each holds a 50% interest in TPG Group Holdings (SBS) Advisors, Inc.), as well as TPG Capital Management, L.P. (as the managing general partner of TPG), TPG Capital Advisors, LLC (as general partner of TPG Capital Management, L.P.), TPG Holdings II Sub, L.P. (as the sole member of TPG Capital Advisors, LLC), TPG Holdings II, L.P. (as general partner of TPG Holdings II Sub, L.P.), TPG Holdings II-A, LLC (as general partner of TPG Holdings II, L.P.), is deemed to be interested in the H Shares held by TPG under the SFO. Mr. Bonderman and Mr. Coulter disclaim beneficial ownership of the H Shares held by TPG except to the extent of their pecuniary interest therein.
- (3) Each of KKR Associates Asia L.P. (as general partner of KKR Institutions Investments), KKR Associates Millennium L.P. (as general partner of KKR Institutions Investments), KKR Millennium GP LLC (as general partner of KKR Associates Millennium L.P.), KKR Asia Limited (Cayman Islands) (as general partner of KKR Associates Asia L.P.), KKR Fund Holdings L.P. (as the sole shareholder of KKR Asia Limited (Cayman Islands)), KKR Fund Holdings GP Limited (as general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as general partner of KKR & Co. L.P.) and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) is deemed to be interested in the H Shares held by KKR Institutions Investments under the SFO. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the H Shares held by KKR Institutions Investments.
- (4) State Development & Investment Corporation (國家開發投資公司), a PRC state-owned enterprise, holds approximately 47.20% shares of I&G and is therefore deemed to be interested in the Domestic Shares held by I&G under the SFO.
- (5) Mingly is held by certain, but not identical discretionary trusts as to 96.12%, of which CCM Trust (Cayman) Limited, LBJ Regents Limited and Dolios Limited are the corporate trustees and members of the classes of discretionary beneficiaries comprise the late Dr. Cha Chi Ming's issue.
- (6) Oversea-Chinese Banking Corporation Limited holds 87.60% equity interest of Great Eastern Holdings Limited, which in turn holds 100% equity interest of Great Eastern. Each of Oversea-Chinese Banking Corporation Limited and Great Eastern Holdings Limited are therefore deemed to be interested in the H Shares held by Great Eastern under the SFO.

#### IV. Sufficient Public Float

As at the Latest Practicable Date and based on the information available to the Company and to the knowledge of the Directors, the Company's H Shares has a public float of approximately 41.16%, which complies with the requirements of Rule 8.08 of the Listing Rules.

#### V. Purchase, Sale or Redemption of Securities of the Company

During the year ended 31 December, 2015, apart from the global offering of the H Shares, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's securities.

# Directors, Supervisors, Senior Management and Employees

## I. Basic Information on the Directors, Supervisors and Senior Management Since the Listing of the Company

| Name                          | Position                              | Gender | Age | Appointment date |
|-------------------------------|---------------------------------------|--------|-----|------------------|
| <b>DIRECTORS</b>              |                                       |        |     |                  |
| Ding Xuedong (丁學東)            | Chairman of the Board of Directors    | Male   | 56  | October 2014     |
|                               | Non-executive Director                |        |     | October 2014     |
| Bi Mingjian (畢明建)             | Executive Director                    | Male   | 60  | May 2015         |
|                               | Chief Executive Officer               |        |     | March 2015       |
|                               | Chairman of the Management Committee  |        |     | March 2015       |
| Zhao Haiying (趙海英)            | Non-executive Director                | Female | 51  | August 2011      |
| David Bonderman<br>(大衛•龐德文)   | Non-executive Director                | Male   | 73  | November 2010    |
| Liu Haifeng David<br>(劉海峰)    | Non-executive Director                | Male   | 45  | February 2015    |
| Shi Jun (石軍)                  | Non-executive Director                | Male   | 43  | December 2013    |
| Cha Mou Daid Johnson<br>(查懋德) | Non-executive Director                | Male   | 64  | October 2002     |
| Edwin Roca Lim (林重庚)          | Independent<br>Non-executive Director | Male   | 75  | May 2015         |
| Cao Tong (曹彤)                 | Independent<br>Non-executive Director | Male   | 47  | May 2015         |
| Siu Wai Keung (蕭偉強)           | Independent<br>Non-executive Director | Male   | 61  | May 2015         |
| Ben Shenglin (賁聖林)            | Independent<br>Non-executive Director | Male   | 50  | May 2015         |

| Name                     | Position                              | Gender | Age | Appointment date |
|--------------------------|---------------------------------------|--------|-----|------------------|
| <b>SUPERVISORS</b>       |                                       |        |     |                  |
| Han Weiqiang (韓巍強)       | Chairman of the Supervisory Committee | Male   | 62  | May 2015         |
|                          | Employee Representative Supervisor    |        |     | April 2015       |
| Liu Haoling (劉浩凌)        | Supervisor                            | Male   | 44  | May 2015         |
| Jin Lizuo (金立佐)          | Supervisor                            | Male   | 58  | May 2015         |
| <b>SENIOR MANAGEMENT</b> |                                       |        |     |                  |
| Bi Mingjian (畢明建)        | See “Directors” above                 |        |     |                  |
| Chu Gang (楚鋼)            | Chief Operating Officer               | Male   | 51  | April 2015       |
|                          | Member of the Management Committee    |        |     | April 2015       |
| Xin Jie (辛潔)             | Chief Financial Officer               | Male   | 41  | January 2014     |
|                          | Member of the Management Committee    |        |     | April 2015       |
| Lin Shoukang (林壽康)       | Member of the Management Committee    | Male   | 52  | December 2007    |
| Huang Zhaohui (黃朝暉)      | Member of the Management Committee    | Male   | 52  | April 2015       |
| Huang Haizhou (黃海洲)      | Member of the Management Committee    | Male   | 53  | April 2015       |
| Liang Hong (梁紅)          | Member of the Management Committee    | Female | 47  | April 2015       |
| Cheng Qiang (程強)         | Member of the Management Committee    | Male   | 47  | April 2015       |
| Sun Dongqing (孫冬青)       | Member of the Management Committee    | Female | 42  | April 2015       |
| Huang Kanglin (黃康林)      | Chief Risk Officer                    | Male   | 53  | August 2014      |
| Yang Xinping (楊新平)       | Chief Compliance Officer              | Female | 60  | December 2007    |
| Lu Xu (呂旭)               | Chief Technology Officer              | Male   | 62  | April 2015       |
| Wu Bo (吳波)               | Secretary to the Board of Directors   | Male   | 38  | May 2015         |
| Ma Kui (馬葵)              | Financial Controller                  | Female | 44  | May 2015         |

Please refer to “Note 13 to the Financial Statements” of this report for the remuneration of the Directors and Supervisors.

## II. Biographies of Directors, Supervisors and Senior Management

### Directors



Mr. Ding Xuedong (丁學東), aged 56, has been appointed as the Chairman of the Board of Directors and a Director of the Company since October 2014. He served a number of positions in the State-owned Asset Administration Bureau, including director general of the Department of Human Resources, head of the general office and director general of the Department of Property Rights from July 1994 to July 1998. He also held several positions in the Ministry of Finance, including director general of the Department of State-owned Capital Administration, director general of the Department of Agriculture, director general of the Department of Education, Science and Culture, assistant minister and vice minister from July 1998 to May 2010. He served as the deputy secretary general of the State Council from May 2010 to July 2013. He also served as a professor at Chinese Academy of Governance from September 2012 to September 2015. Mr. Ding currently serves as the chairman and chief executive officer of China Investment Corporation (“CIC”) and also the chairman of Huijin, one of the substantial shareholders of the Company, since July 2013. He also currently serves as a professor and doctoral advisor at the Graduate School of the Research Institute for Fiscal Science, Ministry of Finance, since February 2005. Mr. Ding obtained a master’s degree in economics from Zhongnan University of Finance and Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in November 1985 and a doctoral degree in economics from the Research Institute for Fiscal Science, Ministry of Finance (財政部財政科學研究所), in August 1997.



Mr. Bi Mingjian (畢明建), aged 60, has been appointed as a Director of the Company since May 2015. He has also served as the Chief Executive Officer and Chairman of the Management Committee of the Company since March 2015. He joined the Group in August 1995 and participated in the establishment of the Company. He held several positions in the Group, including Deputy Chief Executive Officer, member and Acting Chairman of the Management Committee, Co-Chief Operating Officer and Co-Head of the Investment Banking Department from August 1995 to February 2006. He served as a senior advisor to the Company from March 2006 to November 2012. He served as a managing partner of HOPU Investment Management Co., Ltd. from November 2012 to March 2015. Prior to August 1995, he served as the deputy division chief of the State Farms and Reclamation Bureau of the Ministry of Agriculture from January 1984 to December 1985, operation officer of the World Bank China Office from December 1985 to June 1988, deputy director of the project office of China Rural Trust and Investment Corporation from June 1988 to October 1988 and project economist and advisor of the World Bank from October 1988 to January 1994. He currently serves as a director of a number of the subsidiaries of the Company. Mr. Bi obtained a diploma in English from East China Normal University (華東師範大學) in December 1982 and a master of business administration degree from George Mason University, the United States, in January 1993.





**Ms. Zhao Haiying (趙海英)**, aged 51, has been appointed as a Director of the Company since August 2011. She taught at the Business School of Hong Kong University of Science and Technology from 1992 to 1995. She also served as a consultant for the Asian Development Bank from 1995 to 1997 and taught at the School of Economics and Finance of The University of Hong Kong from 1995 to 2001. She served as a commissioner of the Strategy and Development Commission of the CSRC from January 2001 to January 2002, deputy director of the Department of Public Offering Supervision of the CSRC from January 2002 to October 2005, director of the Industrial and Commercial Bank of China Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1398) and the Shanghai Stock Exchange (Stock Code: 601398), from October 2005 to December 2008 and, in the meantime, the head of the department of research and legal affairs of Huijin from May 2006 to September 2007. She served as head of the department of asset allocation and strategic research of CIC from December 2007 to October 2009, vice general manager of Huijin as well as the director of its non-bank department from October 2009 to February 2012, and a director of New China Life Insurance Company Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 1336) and Shanghai Stock Exchange (Stock Code: 601336), from December 2009 to March 2016. She was a member of executive committee of CIC and the Executive Vice President of Huijin as well as the director of its securities institution management department from February 2012 to April 2012. She was a member of the executive committee of CIC and the Executive Vice President of Huijin from April 2012 to April 2015. She was a member of the executive committee of CIC and the Executive Vice President of Huijin as well as the director of its securities institution management department/insurance institution management department from April 2015 to October 2015. She also served as a committee member of the 11th and the 12th National Committee of the Chinese People's Political Consultative Conference. Ms. Zhao served as the chief risk officer of CIC since October 2015. Ms. Zhao received a bachelor's degree in precision instrument from Tianjin University (天津大學) in 1984 and a doctoral degree in economics from the University of Maryland, the United States, in 1992.



**Mr. David Bonderman (大衛·龐德文)**, aged 73, has been appointed as a Director of the Company since November 2010. He is a founding partner of Texas Pacific Group ("TPG"), an affiliate of one of the substantial shareholders of the Company. TPG generally makes significant investments in operating companies through acquisitions and restructurings across a broad range of industries globally. Prior to forming TPG in 1992, he was chief operating officer of the Robert M. Bass Group, Inc. (RMBG), now doing business as Keystone Group, L.P. in Fort Worth, Texas. Prior to joining RMBG in 1983, he was a partner in the law firm of Arnold & Porter in Washington, D.C., where he specialized in corporate, securities, bankruptcy and antitrust litigation. From 1969 to 1970, he was a fellow in foreign and comparative law in conjunction with Harvard University and from 1968 to 1969, he was special assistant to the U.S. Attorney General in the civil rights division. From 1967 to 1968, he was assistant professor at Tulane University School of Law in New Orleans. Mr. Bonderman currently serves on a number of boards, including: director of Ryanair Holdings Plc, a company listed on the Irish Stock Exchange (Ticker: RYA), London Stock Exchange (Ticker: RYA) and NASDAQ (Ticker: RYAAAY), since August 1996; director of Energy Future Holdings Corp. (formerly known as TXU Corporation) since October 2007; director of Caesars Entertainment Corporation (formerly known as Harrah's Entertainment, Inc.), a company listed on the NASDAQ (Ticker: CZR), since January 2008; director

of Kite Pharma, Inc., a company listed on the NASDAQ (Ticker: KITE), since March 2011; and director of Caesars Entertainment Operating Company, Inc. since June 2014. In addition, he serves on the boards of The Wilderness Society and the Grand Canyon Trust. Mr. Bonderman has also served as a director in, among others, Costar Group, Inc. (formerly known as Realty Information Group), a company listed on the NASDAQ (Ticker: CSGP), from May 1995 to June 2015; Armstrong World Industries, Inc., a company listed on the New York Stock Exchange (Ticker: AWI), from September 2009 to June 2012; General Motors Company, a company listed on the New York Stock Exchange (Ticker: GM), from July 2009 to June 2014; and VTB Group, a company listed on the Moscow Exchange (Ticker: VTBR) and London Stock Exchange (Ticker: VTBR LI), from March 2011 to June 2014. Mr. Bonderman obtained a bachelor's degree in Slavic languages and literatures: Russian from University of Washington, the United States, in June 1963 and graduated magna cum laude from Harvard Law School, the United States, in June 1966 with a bachelor's degree in Law. He was a member of the Harvard Law Review and a Sheldon Fellow.

Please refer to “Directors, Supervisors and Senior Management - Board of Directors” of the Prospectus for further details on Mr. Bonderman's civil proceedings.



**Mr. Liu Haifeng David (劉海峰)**, aged 45, has been appointed as a Director of the Company since February 2015. He was with Morgan Stanley Private Equity from August 1993 to January 2006 where he last served as a managing director and the co-head of Morgan Stanley Private Equity Asia. Mr. Liu is currently a member of KKR, co-head of KKR Private Equity Asia and the chief executive officer of KKR in Greater China. He currently serves as a member of KKR's Asian Private Equity Investment Committee, Asian Portfolio Management Committee and China Growth Fund Investment Committee. He also serves as a non-executive director of Far East Horizon Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 3360), since October 2009, and a non-executive director of Qingdao Haier Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600690), since September 2014. He served as a non-executive director of United Envirotech Ltd, a company listed on the Singapore Exchange (Stock Code: U19), from October 2011 to April 2015, and non-executive director of China Rundong Auto Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1365), from January 2014 to August 2015. “KKR” as defined in this paragraph means Kohlberg Kravis Roberts & Co. L.P. together with its affiliates. Mr. Liu graduated from Columbia University, the United States, as class salutatorian and obtained a bachelor's degree in electrical engineering in May 1993. He is currently a member of Tau Beta Pi National Engineering Honor Society and a recipient of the Edwin Howard Armstrong Memorial Award at Columbia University.



**Mr. Shi Jun (石軍)**, aged 43, has been appointed as a Director of the Company since December 2013. He held several positions in I&G, one of the shareholders of the Company, including a deputy general manager of the department of market development (II), general manager of department of financial products, principal of the center of financial products and general manager of the department of general financial products since July 1996. Mr. Shi currently serves as the executive president of I&G since March 2012, and he is in charge of the investment, wealth management and internet finance businesses. Mr. Shi has been admitted as a lawyer of the PRC since April 2001 and has been qualified as a CFA charter holder of the CFA Institute since September 2007. Mr. Shi obtained a bachelor's degree in economics specializing in

insurance from Shanghai University of Finance and Economics (上海財經大學) in June 1996 and a master of business administration degree from Tsinghua University (清華大學) in January 2011. He also completed the executive master of business administration program and obtained a master of business administration degree from China Europe International Business School (中歐國際工商學院) in August 2014.



**Mr. Cha Mou Daid Johnson (查懋德)**, aged 64, has been appointed as a Director of the Company since October 2002. He has been the chairman of C.M. Capital Corporation since 2000. He has also served as a board member and non-executive director of HKR International Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 480) since 1989 and December 2004 respectively, and as a non-executive director of Hanison Construction Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 896) since November 2001. He has been appointed as a non-executive director of Mingly, one of the substantial shareholders of the Company, since April 2000 and as an independent non-executive director and currently a member of the nomination committee, risk management

committee and remuneration committee and the former chairman of the audit committee of Shanghai Commercial Bank Limited since September 2001. He also holds directorships in other private companies in Hong Kong and overseas. Mr. Cha is active in many non-profit organizations serving as trustee, advisor or committee member. Since 1989, he has served at various institutions at different times in the following capacities: He currently serves as a board member of the trustee of Qiu Shi Science & Technologies, a founding member of the Moral Education Concern Group, and a member of the Hong Kong University of Science and Technology Finance Committee. Formerly, he was a member of The Hong Kong Government Advisory Council in Innovation and Technology; a member of trustee and chairman of Investment Committee of the Croucher Foundation; a council member and a member of the Finance Committee and Investment Sub-Committee of The Chinese University of Hong Kong; a trustee of the Mathematical Sciences Research Institute in the United States; a member of the Advisory Council of the Graduate School of Business of Stanford University; a member of Investment Committee, Foundation member, and board of trustee of University of California, San Francisco; an advisory board member of the College of Letters and Science of University of California, Los Angeles; and a member of Advisory Council of the Business School of University of San Francisco. Mr. Cha obtained a bachelor's degree in chemistry from Carnegie Mellon University, the United States, in May 1973 and a master of business administration degree from the Graduate School of Business of Stanford University, the United States, in June 1976.



**Mr. Edwin Roca Lim (林重庚)**, aged 75, has been appointed as a Director of the Company since May 2015. He served as a lecturer at The University of Hong Kong from 1965 to 1970. He joined the World Bank Group in May 1970 and held several positions, including economist, senior economist, lead economist for China, chief representative in China, director in charge of West Africa and director in charge of India. He was granted external service leave by the World Bank Group for two years from February 1994 to lead the organization of an investment bank in China. This initiative led to the establishment of the Company. In this context, he served as a senior advisor to Morgan Stanley from March 1994 to May 1995 and as the Chief Executive Officer of the Company from June 1995 to December 1995. He

returned to the World Bank Group in January 1996 and served as director in charge of India until he retired in August 2002. Mr. Lim obtained a bachelor's degree in public and international affairs from Princeton University, the United States, in June 1962 and a doctoral degree in economics from the Graduate School of Arts and Sciences of Harvard University, the United States, in June 1970. He also completed the advanced management program at Harvard Business School of Harvard University, the United States, in May 1993.



**Mr. Cao Tong (曹彤)**, aged 47, has been appointed as a Director of the Company since May 2015. He joined China Merchants Bank Co., Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 3968) and Shanghai Stock Exchange (Stock Code: 600036), in Beijing and held several positions, including a deputy general manager of the planning and treasury department, general manager of the business department, an assistant to the president and vice president of the Beijing branch, general manager of the personal banking department of the head office and deputy head of the management department in Shenzhen from January 1994 to December 2004. He joined China CITIC Bank Corporation Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 998), in Beijing and held several positions, including an assistant to the president, a general manager of the retail banking department, vice president and an executive director from December 2004 to August 2013. He served as a vice president of The Export-Import Bank of China from September 2013 to October 2014. He also served as the president of WeBank Co., Ltd. from November 2014 to September 2015. Mr. Cao currently serves as the chairman of Xiamen International Financial Technology Co., Ltd. (廈門國際金融技術有限公司) since October 2015, the vice chairman of the National Financial System Youth Federation since January 2014 and co-director of the International Monetary Institute in Renmin University of China since December 2009. Mr. Cao obtained a bachelor's degree and a master's degree in economics from Renmin University of China (中國人民大學) in July 1990 and July 1999, respectively, and a doctoral degree in finance from Dongbei University of Finance and Economics (東北財經大學) in July 2011.



**Mr. Siu Wai Keung (蕭偉強)**, aged 61, has been appointed as a Director of the Company since May 2015. He served for KPMG for approximately 30 years, where he provided professional services to clients from various industries. He joined KPMG Manchester, England in 1979 and was transferred to Hong Kong in May 1986 and became a partner of KPMG Hong Kong in July 1993. From October 2000 to March 2002, he was a senior partner of KPMG Shanghai Office. Prior to his retirement in March 2010, he was a senior partner of KPMG Beijing and Northern China Region, KPMG China. He has extensive experience in providing audit services for PRC and overseas companies, and has a sound knowledge of advising on foreign direct investment in the PRC. He also served as an independent non-executive director of Hua Xia Bank Co., Limited, a company listed on the Shanghai Stock Exchange (Stock Code: 600015), from October 2010 to February 2014, independent non-executive director of Beijing Hualian Hypermarket Co., Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600361), from September 2012 to March 2015, independent non-executive director of Hop Hing Group Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 47), from September 2012 to May 2015, independent non-executive director of Shunfeng International Clean Energy Limited (formerly known as Shunfeng Photovoltaic International Limited), a company listed on the Hong Kong Stock Exchange (Stock Code: 1165), from July 2013 to June 2015, and independent non-executive director of China Huishan Dairy Holdings Company Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 6863), from September 2013 to August 2015. Mr. Siu currently serves

as an independent non-executive director of Guoco Land Limited, a company listed on the Singapore Exchange (Stock Code: F17), since December 2010, independent non-executive director of CITIC Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 267), since May 2011, independent non-executive director of China Communications Services Corporation Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 552), since June 2012, independent non-executive director of CGN Power Co., Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 1816), since March 2014, independent director of Beijing Gao Hua Securities Company Limited since June 2015, and independent non-executive director of BHG Retail Trust Management Pte. Ltd., since November 2015. Mr. Siu has been a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants since July 1994 and September 1993. He obtained a bachelor's degree in economics and accounting and financial management from The University of Sheffield, the United Kingdom, in July 1979.



**Mr. Ben Shenglin (賁聖林)**, aged 50, has been appointed as a Director of the Company since May 2015. He held several positions in ABN Amro in China and London, including leadership roles such as senior vice president and China business head from March 2003 to February 2005. He served at HSBC in China from February 2005 to April 2010 as a senior executive, including managing director and China country head of commercial banking from January 2007 to April 2010. From April 2010 to April 2014, he was with JP Morgan Chase as a member of the global leadership team at global corporate bank and the chief executive officer of J.P. Morgan Chase Bank (China) Company Limited. Mr. Ben currently serves as an independent director of Bank of Ningbo Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 2142), since September 2014, independent non-executive director of Tsingtao Brewery Co., Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 168), since June 2014, a director of Xiamen International Financial Technology Co., Ltd. (廈門國際金融技術有限公司), since October 2015, and independent director of Wuchan Zhongda Group Co., Ltd. (物產中大集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600704), since February 2016. He joined the School of Management of Zhejiang University (浙江大學管理學院) since May 2014 and currently serves as a full-time professor of banking and finance and doctoral advisor. He is also the dean of Academy of Internet Finance since April 2015, and director of Center for Internet and Financial Innovation of the School of Management of Zhejiang University since December 2014. He also currently serves as an executive director of the International Monetary Institute in Renmin University of China since January 2014 and a counsellor of the Zhejiang People's Government since August 2014. Mr. Ben obtained a bachelor's degree in engineering from Tsinghua University in July 1987, a master's degree in economics specializing in enterprise management from Renmin University of China in March 1990 and a doctoral degree in economics from Purdue University, the United States, in August 1994.

## Supervisors



**Mr. Han Weiqiang (韓巍強)**, aged 62, has been elected as the employee-representative Supervisor since April 2015 and appointed as the Chairman of the Supervisory Committee of the Company and Director-general of CICC Charity Foundation since May 2015 and March 2012, respectively. He joined the Group in March 2003 and assumed various positions, including a member of the Management Committee, the Chief Administrative Officer and Acting Chief Financial Officer. He served as an analyst of Goldman Financial Group Corporation from September 1989 to September 1991, head of finance of Waterbury Farrel Technology Corporation from September 1991 to December 1993, vice president of China

Enterprise Management Corp. and chief representative of the Beijing office from January 1994 to October 1996, and general manager of MasterCard International (China) from November 1996 to March 2003. Mr. Han obtained a bachelor's degree in philosophy from Beijing Iron and Steel Institute (北京鋼鐵學院) (currently known as University of Science and Technology Beijing (北京科技大學)) in July 1982 and a master's degree in international relations and a master of business administration degree from Boston University, the United States, in September 1989.



**Mr. Liu Haoling (劉浩凌)**, aged 44, has been appointed as a Supervisor of the Company since May 2015. He served as a preparatory group member for the establishment of ABN AMRO Xiangcai Fund Management Co. Ltd. from January 2002 to June 2002, manager of the legal and compliance department and secretary of the board of directors of China Euro Securities Limited from July 2003 to March 2007, and an associate of the compliance department of Goldman Sachs Gao Hua Securities Company Limited from April 2007 to February 2008. He held several positions in CIC, including the business head and senior manager of the legal and compliance department from March 2008 to April 2011. He also served as a director of New China Life Insurance Co. Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 1336) and Shanghai Stock Exchange (Stock Code: 601336), from December 2009 to September 2010. Mr. Liu currently serves as a deputy head of the general management department of Huijin since May 2011 and a managing director since July 2014, respectively, and a supervisor of China Export & Credit Insurance Corporation since December 2012. Mr. Liu obtained a bachelor's degree in English from Peking University (北京大學) in July 1995, a bachelor's degree in law from China University of Political Science and Law (中國政法大學) in July 1997, a master's degree in law from The University of Iowa, the United States, in May 1998 and a master's degree in finance from London Business School of University of London, the United Kingdom, in September 2003.



**Mr. Jin Linzuo (金立佐)**, aged 58, has been appointed as a Supervisor of the Company since May 2015. He participated in the establishment of the Company from 1994 to 1995. He served as the chairman of Beijing Integrity Investment Consulting Ltd. from 1995 to 1999, chairman of Beijing Integrity Management Consulting Ltd. from 1999 to 2004, an independent non-executive director of COSCO Shipping Co. Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600428), from August 2008 to March 2012, and an independent non-executive director of Huabao International Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 336), from August 2011 to August 2013. Mr. Jin currently serves as an independent non-executive director of Beijing Development (Hong Kong) Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 154) since September 2004, and a director of NetBrain Technologies Inc. since August 2012. Mr. Jin obtained a bachelor's degree in economics from Peking University in January 1982 and a doctoral degree in economics from Oxford University, the United Kingdom, in November 1993.

## Senior Management



Mr. Bi Mingjian (畢明建), a Director, the Chief Executive Officer and Chairman of the Management Committee of the Company. See “— Directors” in this section for his profile.



Mr. Chu Gang (楚綱), aged 51, has been appointed as the Chief Operating Officer and a member of the Management Committee of the Company since April 2015. He joined the Group in May 2009 and held several positions, including a Managing Director of the Research Department, the Acting Head of the Capital Markets Department and Deputy Chief Operating Officer. Prior to joining the Group, he held several positions in Citigroup, including vice president, emerging market risk manager, local government bonds proprietary trader, fund manager, head of Latin America stock options trading and managing director of alternative investments from September 1993 to August 2008. He currently serves as a director of a number of the subsidiaries of the Company, including CICC HK Securities. Mr. Chu was qualified as a Chartered Financial Analyst of the CFA Institute in September 2002. He obtained a bachelor’s degree in physics from University of Science and Technology of China (中國科學技術大學) in July 1987 and a doctoral degree in theoretical physics from Northeastern University, the United States, in September 1993. He also studied at Leonard N. Stern School of Business of New York University, the United States, until June 1997.



Mr. Xin Jie (辛潔), aged 41, has been appointed as the Chief Financial Officer and a member of the Management Committee of the Company since January 2014 and April 2015, respectively. He joined the Group in May 1998 and served as an Associate of the Investment Banking Department until July 2000. He served as the general manager of the Beijing office of Good Investment Co. Ltd. from July 2000 to April 2003, deputy chief representative of Veolia Water Group North China from May 2003 to February 2005 and director of Standard Chartered Private Equity from March 2005 to June 2007. He rejoined the Group in July 2007 and held several positions, including the general manager of CICC Jiacheng, a subsidiary of the Company, and the general manager of Zhejin Trust Co. Ltd, a trust company in which our Company owns equity interest. He currently serves as a director of a number of subsidiaries of the Company, including CICC Hong Kong and China International Capital Corporation (Singapore) Pte. Limited. Mr. Xin obtained a bachelor’s degree in business administration from University of Georgia, the United States, in June 1996 and a master’s degree in world economics from Nankai University (南開大學) in June 2005.



**Mr. Lin Shoukang (林壽康)**, aged 52, has been appointed as a member of the Management Committee since December 2007. He joined the Group in November 2000 and held several positions, including an Executive Director of the Asset Management Department, the Head of the Capital Markets Department, Chief Operating Officer, Acting Chief Executive Officer and Acting Chairman of the Management Committee. Prior to joining the Group, he served as an instructor in mathematics at Xiamen University (廈門大學) from September 1983 to August 1985 and assistant professor of University of York, Canada, from July 1990 to July 1991. He joined the International Monetary Fund in August 1991 and held several positions, including an economist and a main desk officer of Malawi of the African Department until June 1996. He served as a senior manager of the Hong Kong Monetary Authority from July 1996 to December 1997, the head of the Greater China economic research of Deutsche Bank Hong Kong from January 1998 to May 1999 and deputy director of the international department of China Cinda Asset Management Corporation, a company listed on the Hong Kong Stock Exchange (Stock Code: 1359), from May 1999 to October 2000. He currently serves as a director of a number of the subsidiaries of the Company, including CICC Hong Kong and CICC Fund Management. Mr. Lin obtained a bachelor's degree in mathematics from Xiamen University in July 1983, master's degree in economics and a doctoral degree in monetary economics from Brown University, the United States, in August 1987 and May 1990, respectively.



**Mr. Huang Zhaohui (黃朝暉)**, aged 52, has been appointed as a member of the Management Committee and the Head of the Investment Banking Department of the Company since April 2015 and April 2013, respectively. He joined the Group in February 1998 and held several positions, including the Deputy Head and Co-Head of the Investment Banking Department. Prior to joining our Group, he joined China Construction Bank Corporation, a company listed on the Hong Kong Stock Exchange (Stock Code: 939) and Shanghai Stock Exchange (Stock Code: 601939), and served as a clerk of the Ningbo branch office, an assistant research officer of the department of investment research, a senior economist of the department of real estate financing, deputy director of department of international business and office director from July 1988 to January 1998. He currently serves as a director of CICC HK Securities. Mr. Huang obtained a bachelor's degree in physics from Wuhan University (武漢大學) in July 1985 and a master's degree in economics from Renmin University of China in July 1988.



**Mr. Huang Haizhou (黃海洲)**, aged 53, has been appointed as a member of the Management Committee and the Head of the Sales and Trading Department of the Company since April 2015 and May 2013, respectively. He joined the Group in December 2007 and held several positions, including the Co-head of the Sales and Trading Department, Chief Strategist and Co-Head of the Research Department. Prior to joining the Group, he served as a research fellow at The London School of Economics and Political Science, the United Kingdom, from January 1995 to June 1998, an economist and a senior economist at the International Monetary Fund from July 1998 to August 2005, and the head of Greater China research department of Barclays Capital (Hong Kong) from September 2005 to December 2007. He currently serves as a co-opted member of the Hong Kong Financial Services Development Council since March 2013. He currently serves as a director of a number of the subsidiaries of the Company, including CICC Hong Kong and CICC HK Securities. Mr. Huang obtained a bachelor's degree in electrical engineering from Hefei University of



Technology (合肥工業大學) in July 1983, a master's degree in systems engineering from University of Shanghai for Science and Technology (上海理工大學) in July 1987 and a doctoral degree in business from Indiana University, the United States, in July 1994.



**Ms. Liang Hong (梁紅)**, aged 47, has been appointed as a member of the Management Committee, the Head of the Research Department and Chief Economist of the Company since April 2015, May 2013 and October 2014, respectively. She joined the Group in November 2008 and held several positions, including a Managing Director, the Head of the Capital Markets Department and Co-Head of the Sales and Trading Department. Prior to joining the Group, she served as an economist of the International Monetary Fund from June 1998 to August 2003 and the chief China economist and managing director of Goldman Sachs (Asia) LLC from September 2003 to November 2008. She currently serves as a director of CICC Hong Kong and CICC HK Securities. Ms. Liang obtained a bachelor's degree in international relations from Peking University in July 1991, a master's degree in economics from University of Denver, the United States, in June 1993 and a doctoral degree in economics from Georgetown University, the United States, in July 1998.



**Mr. Cheng Qiang (程強)**, aged 47, has been appointed as a member of the Management Committee and the Head of the FICC Department of the Company since April 2015. He joined the Group in October 2003 and held several positions, including a Vice President of the Capital Markets Department, Co-Head of the FICC Department, Head of the Trading team, Head of the Product Division and fixed income team of the Investment Banking Department, and general manager of Zhejin Trust Co. Ltd, a trust company in which the Company owns equity interest, until June 2012. He served as an advisor to the Company from July 2012 to June 2014. Prior to joining the Group, he served as a research staff of Advanced Technology Laboratories from January 1995 to December 1997, an associate of Barclays Capital New York from January 1998 to May 2000, a senior vice president of China Network International from June 2000 to August 2002, managing director of Global Standard Investment from September 2002 to June 2003 and vice president of ING Bank (Hong Kong) from August 2003 to September 2003. He currently serves as the chairman of CICC Futures and a director of a number of other subsidiaries of the Company, including CICC Hong Kong. Mr. Cheng obtained a bachelor's degree in physics from the University of Mississippi, the United States, in August 1990, a master's degree in physics and a master's degree and a doctoral degree in economics from the University of Michigan, the United States, in August 1991, December 1993 and May 1998, respectively.



**Ms. Sun Dongqing (孫冬青)**, aged 42, has been appointed as a member of the Management Committee and the Head of the Wealth Management Department of the Company since April 2015 and September 2011, respectively. She joined the Group in July 2001 and held several positions, including the Head of Beijing branch of the Sales and Trading Department, the Head of the Retail Group (now known as Wealth Management), and took part in setting up the wealth management business of the Company in September 2007. Prior to joining the Group, she served as an assistant accountant of the China's Fuel Corporation from July 1996 to June 1999. Ms. Sun obtained a bachelor's degree in engineering management from Beijing Wuzi University (北京物資學院) in July 1996 and a master of business administration degree from Tsinghua University in July 2001.



**Mr. Huang Kanglin (黃康林)**, aged 53, has been appointed as the Chief Risk Officer and Head of the Risk Management Department of the Company since August 2014 and February 2012, respectively. He joined the Group in February 2012 and served as a Managing Director and the Head of the Risk Management Department. Prior to joining the Group, he served as a software consultant to Ciba Corning Inc. from May 1994 to April 1995, a quantitative analyst of Barclays Group (BZW) from May 1995 to August 1995, a quantitative strategist of Goldman Sachs & Co. from September 1995 to April 2000, a senior market risk manager of Lehman Brothers Inc. from May 2000 to April 2004, head of Asia market risk management, managing director, subsequently as head of Asia risk management of Lehman Brothers Japan from May 2004 to September 2008, a senior risk manager, managing director of Nomura Securities Co. from October 2008 to August 2009, and joint-head of Asia ex Japan risk management and managing director of Nomura International (Hong Kong) Ltd from September 2009 to October 2011. Mr. Huang obtained a bachelor's degree in physics from Peking University in July 1984, a master's degree in physics from Michigan Technological University, the United States, in May 1989 and a doctoral degree in materials science and engineering from University of Pittsburgh, the United States, in April 1994.



**Ms. Yang Xinping (楊新平)**, aged 60, has been appointed as the Chief Compliance Officer of the Company since December 2007. She joined the Company in October 1999 and has been appointed several positions, including Head of the Legal Department in 2000 and Head of the Compliance Department since 2004. Prior to joining the Company, she served as a lawyer in Paul Weiss, Rifkind, Wharton and Garrison Beijing Office, C&C Law Office and held various positions with other institutions in China, Australia and the United States from February 1980 to September 1999. She served as a member of the Issuance Appraisal Committee of CSRC from January 2001 to September 2003, member of the M&A Committee of the Issuance Appraisal Committee of CSRC from March 2002 to February 2004 and member of the Disciplinary and Supervisory Committee of SAC from February 2008 to February 2012. She currently serves as a vice chairman of the Compliance Committee of the SAC since October 2009, member of the Compliance Committee of the Securities Association of Beijing since December 2013, and the Company's representative of the exchange participants of the Shanghai Stock Exchange and Shenzhen Stock Exchange since December 2012. She has also been selected as an expert appraiser of the SAC for innovative business of securities companies since August 2008. Ms. Yang obtained her juris doctor degree from School of Law, University of Connecticut, the United States in May 1986, LLM from Cornell University Law School, the United States, in May 1991, diploma from the Law Extension Committee of Sydney University Law School, Australia, in May 1993, certificate from English Language Center, Beijing Institute of International Economics and Management (北京國際經濟管理學院經濟英語培訓中心), in January 1981, and her university study at the English Department of Shanghai Institute of Foreign Languages (上海外國語學院英語系) was completed in January 1980.



**Mr. Lu Xu (吕旭)**, aged 62, has been appointed as the Chief Technology Officer and Head of Information Technology Department of the Company since April 2015. He joined the Group in August 2000 and was the Head of Information Technology Department until March 2014. Prior to joining the Group, he served as a software engineer of the Information Center, Ministry of Electronics Industry, from December 1984 to December 1987, a software engineer of EG&G Washington Analytical Services Center, Inc. in United States from December 1990 to May 1992, a senior software engineer of MLJ Consulting Telecommunication Engineers, Inc. in the United States from May 1992 to March 1995, principal software engineer of LCC L.L.C in the United States from March 1995 to February 1996, project manager of MCI WorldCom in United States from February 1996 to August 2000 and senior managing director of HOPU Investment Management Co., Ltd. from May 2014 to March 2015. Mr. Lu obtained a master's degree in computer science from North China Institute of Computing Technology (華北計算技術研究所) in December 1984, and a master's degree in computer science and technology from George Mason University, the United States, in January 1994.



**Mr. Wu Bo (吳波)**, aged 38, has been appointed as the Secretary to the Board of Directors of the Company since May 2015. He joined the Group in May 2004 and held several positions, including the Head of the Sponsor Business Department, Deputy Head of the Growth Enterprise Investment Banking Department and a member of the Operations team of the Investment Banking Department. Prior to joining the Group, Mr. Wu served as, among other things, an auditor of Arthur Andersen Huaqiang Certified Public Accountants from July 1999 to June 2002 and a senior auditor of PricewaterhouseCoopers Zhong Tian LLP. from July 2002 to April 2004. Mr. Wu obtained his bachelor's degree in economics from Peking University in July 1998.



**Ms. Ma Kui (馬葵)**, aged 44, has been appointed as the Financial Controller, Head of Entity and Process Department of the Company since May 2015 and September 2011, respectively. She joined the Group in April 1998 and held several positions, including the Head of the Finance Department, Head of the Market Risk Department, Head of the Planning and Analysis Department, Head of Operation Support Department, Assistant Chief Financial Officer, and chairman of the board of directors of CICC Pucheng Investment Co., Ltd. She was a director of CICC Jiacheng, a subsidiary of the Company, since June 2014. Prior to joining the Group, she served as, among other things, an accountant in Motorola (China) Electronics Co., Ltd. from May 1995 to August 1997. She currently serves as a director of a number of our subsidiaries, including CICC Hong Kong, CICC Jiacheng, CICC Futures, CICC HK Securities, CICC HK AM and CICC HK Futures. Ms. Ma obtained a bachelor's degree in international economic cooperation and a master's degree in international finance from the University of International Business and Economics (對外經濟貿易大學) in June 1993 and June 1996, respectively.

### III. Changes in Directors, Supervisors and Senior Management

There has been no change in Directors, Supervisors and senior management of the Company during the Reporting Period.

Mr. Cao Tong resigns from his position as an Independent Non-executive Director, a member of the Remuneration Committee, the chairman of the Nomination and Corporate Governance Committee and a member of the Audit Committee under the Board due to personal work arrangements on March 25, 2016.

Mr. Liu Li is appointed by the Board on March 29, 2016 as a candidate of the Independent Non-executive Director. The term of office shall take effect from the date of approval of the appointment by the shareholders' general meeting or the date of obtaining of the qualifications for directorship of securities companies (whichever is later) until the election of a new session of the Board of Directors at the shareholders' general meeting to be held by the Company in 2018.

The resignation of Mr. Cao Tong shall take effect upon the appointment of Mr. Liu Li becoming effective.

### IV. Remuneration of Directors, Supervisors and Senior Management

The Remuneration Committee is responsible for developing and implementing a performance evaluation system that is adaptive to the changing market, a competitive remuneration policy, and reward and punishment measures that are linked to the operation and performance of the Company, according to the characteristics of the financial and securities industries, the main scopes, duties and importance of the positions of Directors and members of senior management, and the remuneration levels of the relevant positions in comparable companies. The Remuneration Committee reviews and approves the management's remuneration proposals with reference to the corporate goals and objectives formulated by the Board of Directors and makes recommendations to the Board of Directors on the Company's policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee carries out annual performance appraisals on the Directors and members of senior management and makes recommendations to the Board of Directors on the remuneration packages of Directors and senior management (including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment)). The Remuneration Committee shall consider factors such as characteristics of the financial and securities industries, salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, individual performance, employment conditions elsewhere in the Company when considering remuneration packages.

The remuneration of the Directors and Supervisors is subject to approval by the Shareholders at general meetings whereas the remuneration of members of senior management is subject to approval by the Board of Directors.

The remuneration (net of tax) our Directors and Supervisors have received (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind) in 2015 was RMB6,383,738.

Please refer to Note 13 to the Financial Statements of this report for further details.

The aggregate amount of fees, salaries, discretionary bonus, defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind paid to five highest paid individuals of the Company in 2015 was RMB81,215,521.

Please refer to Note 14 to the Financial Statements of this report for further details.

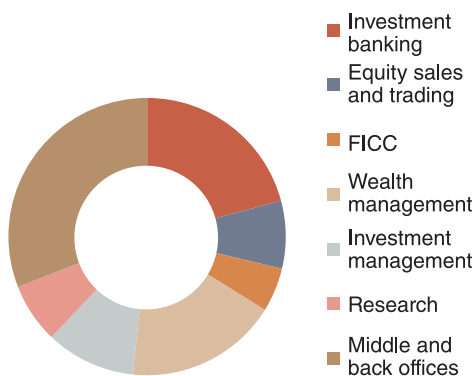
## V. Employees and Remuneration

### Number and Composition of Employees

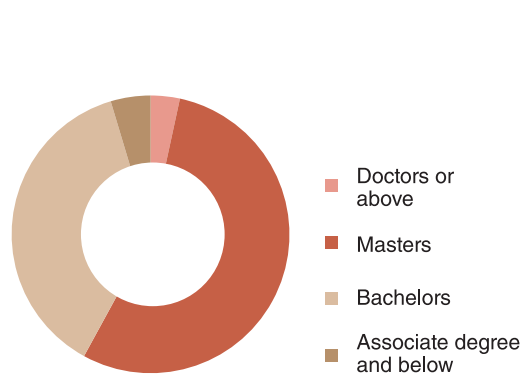
As at December 31, 2015, we had 2,267 employees, among them 1,947 employees were based in the PRC and 320 employees were based in Hong Kong, Singapore, the United States and the United Kingdom, representing 86% and 14%, respectively, of the total number of our employees. Approximately 37% and 58% of our employees had obtained bachelor's degrees or master's degrees or above, respectively. Moreover, approximately 40% of our employees and 67% of our managing directors had overseas studies or working experience. The breakdown details are as follows:

| Items                         | The Group           |                         | The Company         |                         |
|-------------------------------|---------------------|-------------------------|---------------------|-------------------------|
|                               | Number of employees | Percentage of total (%) | Number of employees | Percentage of total (%) |
| <b>Business Functions</b>     |                     |                         |                     |                         |
| Investment banking            | 472                 | 21%                     | 428                 | 24%                     |
| Equity sales and trading      | 179                 | 8%                      | 110                 | 6%                      |
| FICC                          | 117                 | 5%                      | 72                  | 4%                      |
| Wealth management             | 403                 | 18%                     | 385                 | 22%                     |
| Investment management         | 237                 | 10%                     | 112                 | 6%                      |
| Research                      | 158                 | 7%                      | 131                 | 7%                      |
| Middle and back offices       | 701                 | 31%                     | 558                 | 31%                     |
| <b>Total</b>                  | <b>2,267</b>        | <b>100%</b>             | <b>1,796</b>        | <b>100%</b>             |
| <b>Educational Background</b> |                     |                         |                     |                         |
| Doctors or above              | 77                  | 3%                      | 42                  | 2%                      |
| Masters                       | 1,237               | 55%                     | 1,007               | 56%                     |
| Bachelors                     | 848                 | 37%                     | 691                 | 39%                     |
| Associate degree and below    | 105                 | 5%                      | 56                  | 3%                      |
| <b>Total</b>                  | <b>2,267</b>        | <b>100%</b>             | <b>1,796</b>        | <b>100%</b>             |

### Profession Structure of Employees



### Educational Background of Employees



We consider that an outstanding and motivated talent pool is the foundation for our sustainable growth, and we have made significant investment in human resources development. We recruit and cultivate talented professionals through a range of human resources management tools, including a strict recruitment and selection process, a competitive remuneration structure, an efficient performance evaluation system and long-term employee development schemes.

### Remuneration of Employees

Consistent with market practice, the remuneration structure of our employees consists of a basic salary, which is determined according to the particular position, requirements of qualifications and working experience and market demand, and a bonus which is determined according to the employee’s performance. We provide employees based in China with benefit plans required by PRC laws and regulations, including pension insurance, medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and housing provident funds, and we also provide supplementary medical insurance for employees. A small portion of our supporting employees are contracted through third-party employment agencies and we pay salaries and statutory social welfare contributions for these employees. We provide employees of overseas offices with benefits in compliance with local laws and regulations. The Company encourages the employees to hold directly or indirectly, on a voluntary basis, the Shares of the Company on the premise that the requirements of applicable laws, regulations and other relevant regulatory authorities having been complied with.

### Training Plans

The Company has adopted a comprehensive performance evaluation system to converge career development with the Company’s development. We also provide various types of training programs for employees, including new employee orientation, professional skills training, qualification training, management skills training, and an executive development training program, to improve their skills. In addition, the Company also organized a number of thematic trainings for specific target audience during the Reporting Period to promote the culture of risk awareness, enhance employees’ understanding of and compliance with applicable laws, regulations, regulatory guidelines and internal policies.

### Relationship with Employees

During the Reporting Period and up to the Latest Practicable Date, we had not experienced any labor strikes or other material labor disputes of our employees that affected our operations. We have maintained good relationship with employees.



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# Corporate Governance Report

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## I. Overview of Corporate Governance

As a premier China-based investment bank with international reach and a company listed in Hong Kong and incorporated in Mainland China, the Company has operated its business in strict compliance with the requirements of the laws, regulations and regulatory documents issued in Hong Kong and Mainland China. The Company recognizes the importance of good corporate governance and has established an open and a transparent governance structure with checks and balances. The Company is of the view that upholding and attaining high standards of corporate governance differentiates us from other companies and fosters well-built relationships with all stakeholders. The Company endeavors to maximize its shareholders' value and ensures all decisions of the Board are made on the principles of trust and fairness so as to protect the interests of all shareholders. The shareholders' general meetings, Board meetings and meetings of the Supervisory Committee of the Company are convened in accordance with the Articles of Association and the relevant rules of procedures.

During the Reporting Period, the Company strictly complied with the Corporate Governance Code, followed all code provisions and met the requirements of part of the recommended best practices set out in the Corporate Governance Code.

The Organization chart of the Company is set out in "Company Basic Profile—Introduction to the Company—Corporate Organization and Structure" in this report.

## II. Shareholders and General Meetings

### (i) Rights of Shareholders' General Meetings and Shareholders

The shareholders' general meeting is the body exercising the authority of the Company and shall exercise the duties and powers in accordance with the law, the Articles of Association and the Rules of Procedures of the Shareholders' General Meeting of CICC. The Company convened the shareholders' general meetings in strict compliance with the relevant rules and procedures such that all shareholders are treated equally and can exercise their rights fully. Since the inaugural meeting on May 15, 2015 and up to December 31, 2015, the Company convened 4 shareholders' general meetings to engage dialogues with the shareholders so as to understand their concerns, suggestions and opinions regarding the Company's development.

### (ii) Overview of Shareholders' General Meetings

Since the inaugural meeting on May 15, 2015 and up to December 31, 2015, the Company convened 4 shareholders' general meetings, the details and resolutions of which are as follows:

1. On May 15, 2015, the inaugural meeting & first shareholders' general meeting of the Company in 2015 was convened and the following resolutions were considered and adopted: Report on the Progress for Restructuring CICC; Report on the Expenses of Restructuring CICC; Proposal regarding the Status of Restructuring of China International Capital Corporation Limited (中國國際金融有限公司) into a Joint Stock Limited Company and Promoters' Capital Contributions; Proposal regarding the Articles



of Association; Proposal regarding Electing Directors of the First Session of the Board of Directors of CICC; Proposal regarding Conditional Approval of Relevant Directors' Engagement in the Same Business Conducted by CICC for the Interests of their Respective Nominating Party (and its Associates) (valid until June 3, 2015); Proposal regarding Electing Supervisors of the First Session of the Supervisory Committee of CICC; Proposal regarding Authorizing the Board of Directors of CICC to Undertake Matters Pertaining to Approval and Registration of the Overall Restructuring into a Joint Stock Limited Company; and Proposal regarding Termination of the Joint Venture Contract of CICC and the Articles of Association of China International Capital Corporation Limited (中國國際金融有限公司).

2. On June 3, 2015, the first extraordinary shareholders' general meeting of 2015 of the Company was convened and the following resolutions were considered and adopted: Proposal regarding the Approval of the Plan of the Initial Public Offering and Listing of the Overseas-listed Foreign Shares (H Shares); Proposal regarding the Authorization to the Board of Directors and its Authorized Persons with Full Authority to Deal with Matters in connection with the Offering and Listing of H Shares; Proposal regarding Amendment of the Articles of Association; Proposal regarding Approval of the "Rules of Procedures of Shareholders' General Meeting" of CICC; Proposal regarding Approval of the "Rules of Procedures of the Meeting of Board of Directors" of CICC; Proposal regarding Approval of the "Rules of Procedures of the Meeting of the Supervisory Committee" of CICC; Proposal regarding the Approval of the Remuneration Package of the Directors; Proposal regarding the Approval of the Remuneration Package of the Supervisors; Proposal regarding the Purchase of Liability Insurance for Directors, Supervisors and Members of Senior Management and Liability Insurance for Prospectus; and Proposal regarding the Disposal of Distributable Profits prior to the Offering and Listing.
3. On July 28, 2015, the second extraordinary shareholders' general meeting of 2015 of the Company was convened and the following resolutions were considered and adopted: Proposal regarding Amendment of Articles of Association; Proposal regarding Modification of the Remuneration Package of the Directors; and Proposal regarding Modification of the Remuneration Package of the Supervisors.
4. On October 16, 2015, the third extraordinary shareholders' general meeting of 2015 of the Company was convened and the following resolution was considered and adopted: Proposal regarding Amendment of Articles of Association.

Since November 9, 2015, the date on which the Company was listed, and up to December 31, 2015, there was no shareholders' general meeting convened.

### III. Board of Directors and Performance of Duties

#### (i) Duties of the Board of Directors and the Management

The Board exercises the powers and duties set out in the Articles of Association, and shall be accountable to the shareholders' general meeting. The duties of the Board include but not limited to responsible for convening the shareholders' general meetings and reporting its work thereto; implementing resolutions adopted at the shareholders' general meetings; deciding the business plans and investment programs of the Company; formulating profit distribution plans and loss recovery plans of the Company; making decisions on the establishment of the Company's internal management bodies; appointing or dismissing the senior management of the Company and deciding on matters concerning the remuneration of the senior management; and other functions and powers prescribed by the relevant laws, regulations, securities regulatory rules or the Articles of Association and authorized by shareholders' general meeting. The management of the Company is responsible for carrying out the resolutions or decisions of the Board and other duties specified in the Articles of Association.

#### (ii) Composition of the Board of Directors

The Company strictly complies with the requirements under the Articles of Association and relevant rules in respect of the appointment of the Directors. The Board meetings were convened in accordance with the Articles of Association and the Rules of Procedures of the Board of Directors of CICC.

The Board of the Company currently comprises of eleven (11) Directors, which includes one (1) executive Director (Mr. Bi Mingjian), six (6) non-executive Directors (Mr. Ding Xuedong, Ms. Zhao Haiying, Mr. David Bonderman, Mr. Liu Haifeng David, Mr. Shi Jun and Mr. Cha Mou Daid Johnson) and four (4) independent non-executive Directors (Mr. Edwin Roca Lim, Mr. Cao Tong, Mr. Siu Wai Keung and Mr. Ben Shenglin). Mr. Ding Xuedong is the chairman of the Board. None of the Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management of the Company.

Directors are appointed by the shareholders' general meeting to serve a term of three years and are eligible for re-election upon the expiration of the term where the term of re-election shall not exceed six years for independent non-executive Directors. The Company confirms that the Company has received the annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Therefore, the Company believes that each independent non-executive Director is independent as specified in the Listing Rules. Independent non-executive Directors are able to exercise independent and objective judgments and protect the interests of minority shareholders.

The biographies of all Directors are set out in "Directors, Supervisors, Senior Management and Employees" in this report.

**(iii) Meetings of the Board of Directors**

Since the inaugural meeting on May 15, 2015 and up to December 31, 2015, the Board of Directors convened 7 meetings, the details and resolutions passed are as follows:

1. On May 15, 2015, the first meeting of the first session of the Board was convened and the following proposals were considered and adopted: Proposal regarding Election of the Chairman of the Board of Directors of CICC; Proposal regarding Appointment of the Chief Executive Officer of CICC; Proposal regarding Appointment of the Chief Operating Officer of CICC; Proposal regarding Appointment of the Chief Financial Officer of CICC; Proposal regarding Appointment of the Members of the Management Committee of CICC; Proposal regarding Appointment of the Chief Risk Officer of CICC; Proposal regarding Appointment of the Chief Compliance Officer of CICC; Proposal regarding Appointment of the Secretary to the Board of Directors of CICC; Proposal regarding Appointment of the Financial Controller of CICC; and Proposal regarding Authorizing Delegations to Undertake the Matters Pertaining to Approvals and Registrations of the Overall Restructuring into the Joint Stock Limited Company.
2. On June 3, 2015, the second meeting of the first session of the Board was convened and the following proposals were considered and adopted: Proposal regarding the Approval of the Plan of the Initial Public Offering and Listing of the Overseas-listed Foreign Shares (H Shares); Proposal regarding Request at the Shareholders' General Meeting to Authorize the Board of Directors and its Authorized Persons with Full Authority to Deal with Matters in connection with the Offering and Listing of H Shares; Proposal regarding Confirmation of the Authorized Persons of the Board of Directors for Issues in connection with the Offering and Listing of H Shares; Proposal regarding Amendment of the Articles of Association; Proposal regarding Approval of the "Rules of Procedures of Shareholders' General Meeting" of CICC; Proposal regarding Approval of the "Rules of Procedures of the Meeting of Board of Directors" of CICC; Proposal regarding Registration as a Non-Hong Kong company in Hong Kong; Proposal regarding the Approval of the Remuneration Package of the Directors; Proposal regarding Election of Members of the Strategy Committee, the Remuneration Committee, the Nomination and Corporate Governance Committee, the Audit Committee and the Risk Management Committee of the Board of Directors of CICC; Proposal regarding Appointment of Joint Company Secretaries; Proposal regarding Appointment of the Company's Authorized Representatives; Proposal regarding the Purchase of Liability Insurance for Directors, Supervisors, and Members of Senior Management and Liability Insurance for Prospectus; Proposal regarding the Disposal of Distributable Profits prior to the Offering and Listing; and Proposal regarding the Request to Convene the First Extraordinary Shareholders' General Meeting of 2015.
3. On July 15, 2015, the third meeting of the first session of the Board was convened and the following proposal was considered and adopted: Proposal regarding Submission of the Listing Application to the Hong Kong Stock Exchange.
4. On July 28, 2015, the fourth meeting of the first session of the Board was convened and the following proposals were considered and adopted: Proposal regarding Amendment of Articles of Association Proposal regarding Modification of the Remuneration Package of the Directors; and Proposal regarding the Request to Convene the Second Extraordinary Shareholders' General Meeting of 2015.

5. On August 26, 2015, the fifth meeting of the first session of the Board was convened and the following proposals were considered and adopted: Proposal regarding Approval of the Arrangement of the Initial Public Offering of the Overseas-listed Foreign Shares (H Shares); Proposal regarding Approval of the Prospectus and Related Document of the Initial Public Offering of the Overseas-listed Foreign Shares (H Shares); Proposal regarding the Procedural Matters in connection with the Offering of the Overseas-listed Foreign Shares (H shares); Proposal regarding Approval of the “Terms of Reference of the Strategy Committee of the Board of Directors” of CICC; Proposal regarding Approval of the “Terms of Reference of the Remuneration Committee of the Board of Directors” of CICC; Proposal regarding Approval of the “Terms of Reference of the Nomination and Corporate Governance Committee of the Board of Directors” of CICC; Proposal regarding Approval of the “Terms of Reference of the Audit Committee of the Board of Directors” of CICC; Proposal regarding Approval of the “Terms of Reference of the Risk Management Committee of the Board of Directors” of CICC; Proposal regarding Approval of Connected Transactions; Proposal regarding Approval of the “Policy on Management of Connected Transactions of CICC”; Proposal regarding Approval of the “Policy on Information Disclosure Management” of CICC; Proposal regarding Approval of the “2015 Half-year Compliance Report” of CICC; and Proposal regarding Approval of the Capital Injection to CICC Hong Kong.
6. On September 30, 2015, the sixth meeting of the first session of the Board was convened and the following proposals were considered and adopted: Proposal regarding Amendment of Articles of Association; Proposal regarding Appointment of the Chief Technology Officer of the Company; and Proposal regarding the Request to Convene the Third Extraordinary Shareholders’ General Meeting of 2015 of CICC.
7. On November 9, 2015, the seventh meeting of the first session of the Board was convened and the following proposals were considered and adopted: Proposal regarding Approval of the “Risk Management Policy” of CICC; Proposal regarding Approval of the Risk Appetite Statement of CICC; Proposal regarding Approval of Proprietary Stock Option Trading Business.

**(iv) Attendance of Directors at Board meetings**

Since the inaugural meeting on May 15, 2015 and up to December 31, 2015, the Board of Directors convened 7 meetings, the attendance of Directors at the Board meetings are as follows:

| Director's Name              | Required attendance at Board meetings | Attendance in person | Attendance by proxy |
|------------------------------|---------------------------------------|----------------------|---------------------|
| Ding Xuedong                 | 7                                     | 7                    | 0                   |
| Bi Mingjian                  | 7                                     | 7                    | 0                   |
| Zhao Haiying                 | 7                                     | 7                    | 0                   |
| David Bonderman              | 7                                     | 5                    | 2                   |
| Liu Haifeng David            | 7                                     | 6                    | 1                   |
| Shi Jun                      | 7                                     | 6                    | 1                   |
| Cha Mou Daid Johnson         | 7                                     | 7                    | 0                   |
| Edwin Roca Lim               | 7                                     | 7                    | 0                   |
| Cao Tong                     | 7                                     | 5                    | 2                   |
| Siu Wai Keung                | 7                                     | 7                    | 0                   |
| Ben Shenglin                 | 7                                     | 7                    | 0                   |
| Teh Kok Peng <sup>Note</sup> | 3                                     | 3                    | 0                   |

*Note: Teh Kok Peng resigned as Director of the Company on July 16, 2015. Mr. Teh attended all three Board meetings held during his tenure of office since the inaugural meeting on May 15, 2015.*

**(v) Training for Directors**

The Company recognizes the importance of training and continuous professional development of the Directors to ensure that the Directors are kept apprised of the latest developments of the Company and their responsibilities under the relevant laws and regulations as well as the Company's business and governance policies, so as to assist them in performing their duties as Directors of the Company. In 2015, the Company arranged a training conducted by its external professional advisers on the applicable laws and regulations relating to the duties and responsibilities as a director of a company listed in Hong Kong. The training covered a broad range of topics including directors' duties under the Hong Kong laws, Listing Rules and other relevant laws and regulations, statutory regime for disclosure of inside information, rules on connected transactions, notifiable transactions, directors' and supervisors' securities dealings, disclosure of interests and market misconduct. All Directors attended the training organized by the Company.

## IV. Board Committees and Performance of Duties

In accordance with the relevant PRC laws and regulations, the Articles of Association and the corporate governance practice prescribed in the Listing Rules, the Company has established five Board committees, namely the Strategy Committee, the Remuneration Committee, the Nomination and Corporate Governance Committee, the Audit Committee and the Risk Management Committee, to which certain responsibilities are delegated, so as to assist the Board to perform its duties from various aspects. The composition of each Board Committee is listed as follows:

| Name of Committee                             | Members of Committee  |
|---|---|
| Strategic Committee                           | Ding Xuedong (Chairman), Bi Mingjian, Zhao Haiying, David Bonderman, Liu Haifeng David, Cha Mou Daid Johnson and Edwin Roca Lim |
| Remuneration Committee                        | Edwin Roca Lim (Chairman), Cha Mou Daid Johnson, Cao Tong and Siu Wai Keung   |
| Nomination and Corporate Governance Committee | Cao Tong (Chairman), Ding Xuedong, Zhao Haiying, Edwin Roca Lim and Ben Shenglin  |
| Audit Committee                               | Siu Wai Keung (Chairman), Shi Jun, Cao Tong and Ben Shenglin  |
| Risk Management Committee                     | Ben Shenglin (Chairman), Bi Mingjian, Shi Jun and Siu Wai Keung   |

### (i) Strategy Committee

#### 1. Functions of the Committee

The primary duties of the Strategy Committee include, but are not limited to, the following: (i) conducting research on the Company's short, medium and long term development strategies or the relevant issues; (ii) suggesting the Company's long-term development strategies, major investments, reforms and other major decisions; and (iii) performing other duties stipulated in laws, regulations, the Listing Rules and authorized by the Board.

#### 2. Work Summaries and Meetings of the Committee

In 2015, the Strategy Committee has convened 1 meeting. Details of the meeting of the Strategy Committee are set out below:

On November 9, 2015, the 2015 first meeting of the Strategy Committee of the Board was held, at which members of the Strategy Committee listened to the reports on and discussed matters related to: (i) the Operating and Financial Results of the Third Quarter of 2015 of the Company; (ii) the Overall Strategic Planning of the Company; and (iii) the 2015 Review and 2016 Plan of Each Business Department of the Company. All members attended the meeting, except Mr. Liu Haifeng David who was not able to attend the meeting due to business reasons.

**(ii) Remuneration Committee****1. Functions of the Committee**

The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) deliberating on the appraisal and remuneration management system for Directors and senior management and giving opinions; (ii) conducting appraisal of Directors and senior management and giving recommendations; and (iii) performing other duties stipulated in laws, regulations, the Listing Rules and authorized by the Board. For details, please refer to the Terms of Reference of the Remuneration Committee of the Board of Directors of CICC available on the websites of the Company and the Hong Kong Stock Exchange.

**2. Work Summaries and Meetings of the Committee**

In 2015, the Remuneration Committee has convened 1 meeting. Details of the meeting of the Remuneration Committee are set out below:

On November 8, 2015, the 2015 first meeting of the Remuneration Committee of the Board was held, at which members of the Remuneration Committee listened to the reports on the Compensation Mechanism Review Project presented by the external consultant firm and the introduction of the Compensation Mechanism of the Company presented by the management of the Company. All members attended the meeting, except Mr. Cao Tong who was not able to attend the meeting due to business reasons. The Remuneration Committee has worked closely with the management to introduce a new compensation determination mechanism, and has made plenty valuable recommendations to the Board on the firm's remuneration matters.

**(iii) Nomination and Corporate Governance Committee****1. Functions of the Committee**

The primary duties of the Nomination and Corporate Governance Committee include, but are not limited to, the following: (i) deliberating on selection and appointment standards and procedures of Directors and senior management, and giving opinions, searching for qualified candidates of Directors and senior management, reviewing the qualification criteria of the candidates for Directors and senior management and making recommendations; (ii) promoting the formulation and enhancement of the corporate governance standards; (iii) conducting appraisal of corporate governance structure and governance standards and giving recommendations; and (iv) performing other duties stipulated in laws, regulations, the Listing Rules and authorized by the Board. For details, please refer to the Terms of Reference of the Nomination and Corporate Governance Committee of the Board of Directors of CICC available on the websites of the Company and the Hong Kong Stock Exchange.

**2. Work Summaries and Meetings of the Committee**

As the Listing Date of the Company was around the end of 2015, no meeting of the Nomination and Corporate Governance Committee was convened during the Reporting Period. On March 29, 2016, the Nomination and Corporate Governance Committee held its first meeting, at which the Nomination and Corporate Governance Committee reviewed the Proposal regarding the election of independent non-executive Director and agreed to submit to the Board for review.

**(iv) Audit Committee***1. Functions of the Committee*

The primary duties of the Audit Committee include, but are not limited to, the following: (i) supervising annual audit work, making judgment on the truthfulness, accuracy and completeness of audited financial information, and proposing motions to our Board for consideration; (ii) proposing engagement or replacement of external audit firm, and supervising the practice of external audit firm; (iii) being responsible for communication between internal and external auditors; and (iv) performing other duties stipulated in laws, regulations, the Listing Rules and authorized by the Board. For details, please refer to the Terms of Reference of the Audit Committee of the Board of Directors of CICC available on the websites of the Company and the Hong Kong Stock Exchange.

*2. Work Summaries and Meetings of the Committee*

In 2015, the Audit Committee has convened 1 meeting. Details of the meeting of the Audit Committee are set out below:

On November 8, 2015, the 2015 first meeting of the Audit Committee of the Board was held, at which the Audit Committee (i) reviewed and adopted the 2015 Audit Plan of CICC; (ii) reviewed and adopted the 2016 Internal Audit Plan of CICC; and (iii) reviewed and adopted the Work Report from January to October 2015 of the Corporate Audit Department of CICC. All members attended the meeting, except Mr. Cao Tong who was not able to attend the meeting due to business reasons. Based on the strong professional backgrounds and experiences of its members, the Audit Committee provided constructive advice and guidance to the Company.

**(v) Risk Management Committee***1. Functions of the Committee*

The primary duties of the Risk Management Committee include, but are not limited to, the following: (i) considering and making recommendations on the overall goals and policies for compliance management and risk management; (ii) considering and making recommendations on establishment and duties of compliance management and risk management organizations; (iii) evaluating and making recommendations on the risks of important decisions and solutions for significant risks requiring consideration of the Board; (iv) reviewing and making recommendations on compliance reports and risk assessment reports requiring consideration of the Board; and (v) performing other duties stipulated in laws, regulations, the Listing Rules and authorized by the Board. For details, please refer to the Terms of Reference of the Risk Management Committee of the Board of Directors of CICC available on the websites of the Company and the Hong Kong Stock Exchange.



## 2. *Work Summaries and Meetings of the Committee*

In 2015, the Risk Management Committee has convened 1 meeting. Details of the meeting of the Risk Management Committee are set out below:

On 8 November, 2015, the 2015 first meeting of the Risk Management Committee of the Board was held, at which the Risk Management Committee made a preliminary review of and agreed to submit the following resolutions to the Board for review: Proposal regarding approval of the risk management policy of CICC and Proposal regarding approval of the risk appetite statement of CICC. All members attended the meeting. The Risk Management Committee has actively performed its duties and provided valuable support for the Board in its decision-making progress.

## V. Chairman and Chief Executive Officer

Mr. Ding Xuedong and Mr. Bi Mingjian serve as the chairman of the Board and the Chief Executive Officer, respectively, and their powers and duties are clearly divided and specified in the Articles of Association. The chairman of the Board is also the legal representative of the Company. The roles of the chairman of the Board and the Chief Executive Officer are separate and are taken by different persons. A clear division of the management of the Board and the day-to-day management of the Company ensures a balance of power and authority, guarantees the independence of their duties and avoids excessive concentration of power in any one individual.

Mr. Ding Xuedong, the chairman of the Board, is responsible for overseeing the overall operations of the Group and formulating business and corporate strategies, providing leadership for the Board, ensuring that the Board works effectively and performs its responsibilities. The chairman also ensures that good corporate governance practices and procedures are established and complied with and that the Board acts in the best interests of the Company and all Shareholders.

Mr. Bi Mingjian, the Chief Executive Officer, is in charge of the operation and management of the Group, organizing the implementation of the resolutions of the Board and reporting to the Board.

## VI. Supervisory Committee and Performance of Duties

### (i) Powers and Duties of the Supervisory Committee

The Supervisory Committee is the supervisory body of the Company and is accountable to the shareholders' general meeting. The powers and duties of the Supervisory Committee include but not limited to reviewing financial reports and profits distribution plans to be submitted by the Board at the shareholders' general meeting; examining the financial affairs of the Company; supervising the performance of the Directors and senior management; and other duties and powers prescribed by relevant regulations and Articles of Association or authorized by shareholders' general meetings. The Supervisory Committee is also entitled to engage professional institutions such as accounting firms and law firms to assist its work where necessary.

The Supervisory Committee strictly complied with the relevant laws and regulations and the Articles of Association, lawfully and diligently performed its duties, observed the relevant procedures, attended all on-site Board meetings and shareholders' general meetings and observed all meetings of the special committees under the Board of the Company held during the period from the date of inaugural meeting of the Company to December 31, 2015 in 2015.

**(ii) Composition of the Supervisory Committee**

The Company strictly complied with the Articles of Association and the relevant rules in respect of the appointment of Supervisors. The Company's Supervisory Committee currently comprises of three Supervisors, including one employee representative supervisor (Mr. Han Weiqiang) and two Shareholders, representative supervisors (Mr. Liu Haoling and Mr. Jin Lizuo).

Biographies of all the Supervisors are set out in "Directors, Supervisors, Senior Management and Employees" in this report.

**(iii) Meeting of the Supervisory Committee**

Since the inaugural meeting on May 15, 2015 and up to December 31, 2015, the Supervisory Committee convened 3 official meetings, the details of which are as follows:

1. On May 22, 2015, the first meeting of the first session of the Supervisory Committee was convened and the Proposal regarding Election of the Chairman of the Supervisory Committee of CICC was considered and adopted.
2. On June 3, 2015, the second meeting of the first session of the Supervisory Committee was convened and the following resolutions were considered and adopted: Proposal regarding Approval of the "Rules of Procedures of the Meeting of the Supervisory Committee" of CICC and Proposal regarding Approval of the Remuneration Package of the Supervisors.
3. On July 28, 2015, the third meeting of the first session of the Supervisory Committee was convened and the Proposal regarding Modification of the Remuneration Package of the Supervisors was considered and adopted.

Apart from the above meetings, all members of the First Session of the Supervisory Committee communicated and discussed on the work arrangements of the Supervisory Committee on August 25, 2015, specifying the division of labour and the focus of duty performance of three Supervisors and came up with a mechanism for information exchange via email and telephone, particularly instant communication when abnormal situations are discovered.

**(iv) Attendance of Supervisors at the Meetings of the Supervisory Committee**

Since the inaugural meeting on May 15, 2015 and up to December 31, 2015, the Supervisory Committee convened 3 meetings, the Supervisors' attendance of which is as follows:

| Name of Supervisor | Required<br>Attendance<br>at Meetings | Actual<br>Attendance |
|--------------------|---------------------------------------|----------------------|
| Han Weiqiang       | 3                                     | 3                    |
| Liu Haoling        | 3                                     | 3                    |
| Jin Lizuo          | 3                                     | 3                    |

## VII. Other Relevant Matters

### (i) Rights of Shareholders

The Company convenes and holds shareholders' general meetings according to the Articles of Association and the Rules of Procedures of the Shareholders' General Meeting of CICC to guarantee all Shareholders enjoy equal rights and can exercise their rights fully and transparently. Following the listing, the Chairman of the Board and Chairmen of the Strategic Committee, Remuneration Committee, Nomination and Corporate Governance Committee, Audit Committee and Risk Management Committee, or in their absence, members of the respective Committees, and the external auditors of the Company shall attend the shareholders' general meeting and answer the questions raised by the Shareholders.

### (ii) Compliance with the Model Code for Securities Transactions

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions. The Company has made specific enquiries to all Directors and Supervisors concerning the compliance with the Model Code. All Directors and Supervisors confirmed that they have strictly observed all standards set out in the Company's code of conduct regarding directors' securities transactions from the Listing Date to the end of the Reporting Period.

### (iii) Responsibilities of Directors for the Financial Statements

The following responsibility statement of Directors regarding the financial statements shall be read in conjunction with the responsibility statement of the certified public accountants included in the independently audited financial statements of this report. Each responsibility statement shall be understood separately.

All Directors acknowledge and confirm their responsibilities of preparing the financial statements which truly reflects the business and operating results of the Company for each financial year. To the best knowledge of all Directors, there are no events or situations which may cause any material adverse impact on the ongoing operations of the Company.

### (iv) Appointment and Remuneration of Auditing Firm

The Company appointed KPMG Huazhen LLP as the domestic accounting firm, and KPMG as the international accounting firm for 2015.

Change in the accounting firm appointed: No.

Remuneration for accounting firms: The Company has agreed on the payment of RMB2.22 million to KPMG Huazhen LLP and KPMG as audit fees for the auditing of the financial statements for the year 2015. In 2015, the Company has paid RMB15.36 million to KPMG Huazhen LLP and KPMG, being audit fees for statutory financial statements, as well as for IPO and related service fees, and paid RMB0.65 million as non-audit service fees.

### (v) Review by Audit Committee

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

**(vi) Joint Company Secretaries**

Mr. Wu Bo, the secretary of the Board and the joint company secretary of the Company, is responsible for making recommendations and proposals to the Board on issues related to corporate governance, and ensuring that Board policies and procedures as well as applicable laws, rules and regulations are strictly followed. In order to maintain sound corporate governance and to ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company appointed Mr. Zhou Jiaying, a senior legal counsel of the legal department of the Company, to assist Mr. Wu Bo in discharging the duties of a company secretary. Mr. Wu Bo has attended trainings on, among other things, directors' duties under the common law, Listing Rules and other relevant laws and regulations, statutory regime for disclosure of inside information, rules on connected transactions, notifiable transactions, directors' and supervisors' securities dealings, disclosure of interests, market misconduct and the implementation of relevant internal policies.

Both Mr. Wu Bo and Mr. Zhou Jiaying have confirmed that they received not less than 15 hours of relevant professional training during the year ended December 31, 2015.

**(vii) Communication with Shareholders**

The Shareholders' general meeting is the body exercising the authority of the Company and shall exercise the duties and powers in accordance with the law, the Articles of Association and the Rules of Procedures of the Shareholders' General Meeting of CICC. The rights of the Shareholders are clearly specified in the Articles of Association. The Company convened the Shareholders' general meetings in strict compliance with the relevant rules and procedures such that all Shareholders are treated equally and can exercise their rights fully.

The shareholders' general meeting provides opportunities of constructive communications between the Company and its Shareholders. Shareholders are encouraged to attend the Shareholders' general meetings in person, or if they fail to attend such meetings, appoint proxies to attend and vote at the meetings for and on their behalves. The Company highly values the opinions, suggestions and concerns of the Shareholders and has assigned dedicated persons to proactively and ethically carry out various types of investor relation activities to keep in contact with Shareholders and timely meet their reasonable demands.

The Company's website ([www.cicc.com](http://www.cicc.com)) provides the Shareholders with corporate information, such as major business activities and the latest development of the Group, the Group's corporate governance, the structure and functions of the Board and each of the committees of the Company. To serve as a channel promoting effective communication with Shareholders, the Company also publishes announcements, circulars, notices of shareholders' general meeting, financial data and other information of the Company required to be disclosed under the Listing Rules from time to time through the "Investor Relations" section on the Company's website. Shareholders are encouraged to make enquiries by phone, by email or write directly to the office address of the Company, which will be dealt with appropriately in a timely manner. Please refer to "I. Company Profile" in Section III of this report for the contact details.

The Company welcomes all Shareholders to attend shareholders' general meetings and makes appropriate arrangement for shareholders' general meetings to encourage Shareholders' participation. The Company's Directors, Supervisors and senior management will attend shareholders' general meetings. In accordance with paragraph E.1.2 of the Corporate Governance Code, the chairman of the Board, the Strategic Committee, the Remuneration Committee, the Nomination and Corporate Governance Committee, the Audit Committee and the Risk Management Committee under the Board of Directors shall be available to answer questions at annual general meeting and shall also ensure that the external auditor will attend annual general meetings to answer the relevant questions raised by Shareholders.

Shareholders may propose to convene an extraordinary general meeting or shareholders' class meeting or put forward proposals pursuant to the Articles of Association. The Shareholders may attend and vote in shareholders' general meetings in person and by proxy. The resolutions and the attendance records signed by the attending Shareholders and instruments of proxy shall be kept at the Company's principal address. Shareholders may inspect the copy of the resolutions of the meetings during the Company's business hours free of charge. The Articles of Association is set out on the websites of the Company and the Hong Kong Stock Exchange.

The Company shall arrange the Board to answer questions raised by Shareholders during the 2015 annual general meeting. Detailed procedures of voting and resolutions to be voted by way of poll will be contained in the circular to be dispatched to the Shareholders.

### **(viii) Investor Relations**

The Company emphasizes on the importance of protecting the interest of investors and endeavors to provide comprehensive and effective investor relations services. After the successful listing of the Company, the Company has actively performed the duties of a listed company. We have established an investor relations service and management system, formed an investor relations service team led by the Secretary to the Board of Directors, set up a hotline and mail box for investor relations services and created an investor relations sector on the official website of the Company, to ensure the true, effective and timely communication of corporate information to investors, endeavoring to safeguard the interest of shareholders and ensure their rights to information.

The Company received visits by domestic and overseas institutional investors and analysts, and remain in close communication with investors to address their concerns through various channels including teleconferences, video conferences and e-mails, to help investors better understand the latest developments in the market, securities industry as well as the strategies and operations of the Company, subject to the relevant regulatory requirements of information disclosure.

### **(ix) Board of Directors Diversity Policy**

The Nomination Committee has adopted a Board of Directors Diversity Policy concerning diversity of Board members pursuant to paragraph A.5.6 of the CG Code. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the composition of the Board, diversity has been considered from a number of aspects, including but not limited to gender, age, cultural, educational background, professional experience and other factors. All appointments of the Board will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, the ultimate decision will be based on merit and contribution that the selected candidates can bring to the Board. The composition of the Board will be disclosed in the Corporate Governance Report annually. For further details about the Board of Directors Diversity Policy, please refer to Appendix I to the Terms of Reference of the Nomination and Corporate Governance Committee of the Board of Directors of the Company, which has been published on the websites of the Company and the Hong Kong Stock Exchange.

The Nomination and Corporate Governance Committee will report annually in the Corporate Governance Report on the composition of the Board of Directors under diversified perspectives, and monitor the implementation of the Board of Directors Diversity Policy and will review it, as appropriate, to ensure its effectiveness. The Nomination and Corporate Governance Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

**(x) Amendments to the Articles of Association**

During the Reporting Period, the Articles of Association was amended twice to reflect the change in the registered capital of the Company due to listing of the Company in 2015. For details of the changes, please refer to the Articles of Association, which has been published on the website of the Company and the Hong Kong Stock Exchange.

**(xi) Internal Control****1. Establishment of the Internal Control System**

The Company has been concentrating on building a corporate internal control system since its establishment. The Company's corporate internal control system has been gradually taking shape and enhanced in compliance with the PRC requirements of the "Guidelines for Internal Control of Securities Companies" and with reference to the "Basic Norms of Internal Control for Enterprises" and has taken the development of internal control throughout the operational development of the Company.

As at the end of the Reporting Period, the Company has established an internal control system suitable for its business nature, scale and complexity, and has achieved results in ensuring the legality of operations, the safety of assets and the authenticity and completeness of financial reports and relevant information, and improving operational efficiency and effectiveness.

**2. Major Characteristics of the Internal Control System**

The Company has established a reasonable, effective and balanced internal control system, with clear division of work among the Board of Directors, the Supervisory Committee, the Management, functional departments, business departments and branches within the structure of the entire internal control system and their duties and responsibilities are as follows:

- The Board of Directors is responsible for the sound establishment and effective implementation of internal control. The Board has established the Audit Committee which is responsible for reviewing the internal control of the Company, supervising the effective implementation of internal control and conducting self-evaluation on internal controls, coordinating internal control audits and other relevant matters.
- The Supervisory Committee supervises the establishment and implementation of internal control by the Board.
- The management is responsible for organizing and steering the daily operation of the internal control of the Company.
- Each of the business departments and branches will formulate and implement its business policy, internal process and control. The Company requires all employees who participate in business operations to comply with the policies and processes in the ordinary course of business. Each of the business departments will conduct self-evaluation and assessment on the specific internal control procedures and measures for its scope of business, and will be responsible for reporting deficiencies of the internal control procedure to the management of the Company.

- The internal audit department is independent of the business departments of the Company and will report directly to the Audit Committee of the Board. The internal audit department will conduct reviews, appraisals, make reports and recommendations, independently and objectively, on the overall internal control environment, the design and implementation of the internal control measures and risks assessing measures in various business departments of the Company on a regular basis, in order to prevent risks, enhance the internal control standards and utilize resources properly and effectively.
- The functional departments participating in the internal control system including the Risk Management Department, Compliance Department, Legal Department and other middle and back office departments, will actively manage market risk, credit risk, operational risk, liquidity risk, compliance risk and legal risk faced by the Company's businesses and identify risk in the implementation of internal control and make recommendations to improve internal control deficiencies.

3. *Procedures for Evaluating the Effectiveness of the Internal Monitoring System and Rectifying Material Internal Control Deficiencies*

The Company has established an internal audit department which is independent of other departments in the Company and report directly to the Audit Committee of the Board. The internal audit department will conduct reviews, conduct appraisals, make reports and recommendations independently on risk management and the adequacy of the design and the effectiveness of the implementation of internal controls for various business lines. For issues discovered during internal audits, the internal audit department will formulate improvement measures jointly with the various departments and on a regular basis will assist the management in following up on the issues which were discovered in the audits and requires improvement and on the implementation progress of improvement measures.

During the year of 2015, the internal audit department has conducted internal audits mainly on the investment banking business, brokerage business, fixed income business, direct investment business, mainland asset management business, wealth management business of CICC and the design and implementation of internal control of the UK subsidiary and US subsidiary, it has performed anti-money laundering audit, employee resignation audit and off-post audit of securities brokerage branches in Mainland China, and anti-money laundering audit of US subsidiary. Meanwhile, the internal audit department has also conducted audits on the application controls of the relevant IT systems relating to the above Mainland China business and overseas business and on the IT general controls of overseas information systems. According to the audit results of the internal audit department, no material abnormalities or material deficiencies in the internal control system have been discovered.

Through reviewing the work and investigation results of the internal audit department on a regular basis, the Audit Committee will appraise on behalf of the Board the effectiveness of risk management and internal control system on a regular basis.

#### 4. *Procedures for Processing and Releasing Inside Information*

With approval from the Board, and pursuant to the requirements of domestic and foreign laws and regulations, Listing Rules and Articles of Association, as well as the practical conditions of the Company, the “Policy on Information Disclosure Management of China International Capital Corporation Limited” has been formulated by the Company to determine the division of duties and responsibilities on information disclosure, the procedures for processing and releasing inside information and other information required to be disclosed. Pursuant to this system, the Company must, as soon as reasonably practicable after any inside information has come to its knowledge or a false market may be established, disclose the information to the public.

During the Reporting Period, the Company has truthfully, accurately, legally and timely disclosed information strictly in compliance with the requirements of domestic and foreign laws and regulations, Listing Rules, Articles of Association and the Policy on Information Disclosure Management of the Company without any false statements, misleading statements or material omissions, to ensure investors will be able to receive the disclosed information fairly, timely and effectively.

#### 5. *Appraisal of Internal Controls*

The Board and the management of the Company are jointly responsible for the establishment, the effective implementation and improvement of a sound internal control system. The objectives of internal control of the Company are: guaranteeing the legality of operations of the Company and the execution of internal regulatory system, protecting against operational risk and moral risk, securing the safety and completeness of the assets of the clients and the Company, ensuring the reliability, completeness and timeliness of the business records, financial information and other information of the Company and improving the operational efficiency and effectiveness of the Company.

As internal controls have inherent restrictions, we can only reasonably guarantee that the above objectives can be achieved. Furthermore, the effectiveness of internal control may also change with the changes in the Company’s internal and external environment and operating conditions. The Company has set up an inspection and supervision mechanism through which the Company can take measures to recover defects in the internal control once identified.

The Board concluded that, having based on the requirements of the relevant laws, regulations and regulatory rules of the “Guidelines for Internal Control for Securities Companies” and with reference to the requirements of the “Basic Norms of Internal Control for Enterprises” and the provisions of its ancillary guidelines, an appraisal on the internal control of the Group was conducted, as at the reference date (as at 31 December, 2015) of the “2015 Internal Controls Self-Assessment Report and Illustration of China International Capital Corporation Limited”, the Group was not aware of any material defect in internal control of the Group. The Board is of the view that the Group has established an effective internal control system, which achieves our objectives of internal control and is free from material defect and significant defect.



During the course of the financial statements audit, in accordance with the *China's Auditing Standards for the Chinese Certified Public Accountants No. 1211 – Identifying and Assessing the Risk of Material Misstatements through Understanding the Entity and its Environment*, KPMG Huazhen LLP understood the Company's internal controls in connection with the preparation of financial statements, in order to evaluate the risks of material misstatement and determine the nature, timing and scope of the audit procedures. Besides, KPMG Huazhen LLP performed tests on the Company's relevant internal controls in accordance with the *China's Auditing Standards for the Chinese Certified Public Accountants No. 1231 – The Response to Assessed Risks of Material Misstatements*. Based on the above understanding, testing and evaluation of the internal controls during the audit, KPMG Huazhen LLP was not aware of any material weaknesses of the internal controls, in connection with the preparation of the financial statements as at 31 December 2015, that may lead to material misstatements of the financial statements which are not timely prevented or detected and issued the "2015 Internal Control Report of China International Capital Corporation Limited".



INDEPENDENT  
AUDITOR'S  
REPORT

## Independent Auditor's Report

Independent auditor's report to the shareholders of  
CHINA INTERNATIONAL CAPITAL CORPORATION LIMITED  
*(Incorporated in the People's Republic of China with limited liability)*

We have audited the consolidated financial statements of China International Capital Corporation Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 131 to 230, which comprise the consolidated statement of financial position as at 31 December 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 ("IFRSs") 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.

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.

## Independent Auditor's Report

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group and of the Group's financial performance and cash flows for the year then ended in accordance with IFRSs, 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

29 March 2016

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

for the year ended 31 December 2015 (Expressed in Renminbi (“RMB”), unless otherwise stated)

|   | Note | Year ended 31 December |               |
|---|------|------------------------|---------------|
|   |      | 2015                   | 2014          |
| Revenue   |      |                        |               |
| Fee and commission income                               | 6    | 6,587,816,025          | 4,151,886,773 |
| Interest income   | 7    | 1,020,499,994          | 449,808,145   |
| Investment income                                       | 8    | 1,853,336,139          | 1,526,769,247 |
| Total revenue   |      | 9,461,652,158          | 6,128,464,165 |
| Other income  | 9    | 45,032,477             | 27,327,179    |
| Total revenue and other income                          |      | 9,506,684,635          | 6,155,791,344 |
| Fee and commission expenses                             | 10   | 419,557,701            | 227,772,376   |
| Interest expenses                                       | 11   | 1,094,781,365          | 742,081,785   |
| Staff costs   | 12   | 4,050,985,852          | 2,555,522,127 |
| Depreciation and amortization expenses                  | 15   | 51,081,279             | 59,910,934    |
| Business tax and surcharges                             |      | 406,279,919            | 247,998,331   |
| Other operating expenses                                | 16   | 963,710,851            | 852,802,787   |
| Provision for impairment losses                         | 17   | 3,375,632              | 31,619,896    |
| Total expenses  |      | 6,989,772,599          | 4,717,708,236 |
| Operating profit  |      | 2,516,912,036          | 1,438,083,108 |
| Share of profits of associates and joint ventures       |      | 103,665,364            | 67,773,612    |
| Profit before income tax                                |      | 2,620,577,400          | 1,505,856,720 |
| Less: Income tax expense                                | 18   | 667,927,437            | 387,403,405   |
| Profit for the year                                     |      | 1,952,649,963          | 1,118,453,315 |
| Attributable to:  |      |                        |               |
| Shareholders/equity holders of the Company              | 19   | 1,952,649,963          | 1,118,453,315 |
| Holders of other equity instruments                     |      | —                      | —             |
| Basic and diluted earnings per share (in RMB per share) | 20   | 1.12                   | 0.67          |

The notes on pages 138 to 230 form part of these financial statements.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2015 (Expressed in Renminbi (“RMB”), unless otherwise stated)

|   | Note | Year ended 31 December |               |
|---|------|------------------------|---------------|
|   |      | 2015                   | 2014          |
| Profit for the year   |      | 1,952,649,963          | 1,118,453,315 |
| -----   |      |                        |               |
| Other comprehensive income for the year   |      |                        |               |
| Items that may be reclassified to profit or loss in subsequent periods:                 |      |                        |               |
| Available-for-sale financial assets:  |      |                        |               |
| – Changes in fair value   |      | 181,809,905            | 33,084,000    |
| – Income tax effect   |      | (14,787,481)           | (4,043,748)   |
| – Reclassified to profit or loss as investment income                                   |      | (117,110,671)          | (19,906,591)  |
| Exchange differences on translation of financial statements<br>of overseas subsidiaries |      | 149,525,466            | (2,156,843)   |
| -----   |      |                        |               |
| Total other comprehensive income for the year, net of tax                               |      | 199,437,219            | 6,976,818     |
| -----   |      |                        |               |
| Total comprehensive income for the year   |      | 2,152,087,182          | 1,125,430,133 |
| -----   |      |                        |               |
| Attributable to:  |      |                        |               |
| Shareholders/equity holders of the Company  |      | 2,152,087,182          | 1,125,430,133 |
| Holders of other equity instruments   |      | —                      | —             |
| -----   |      |                        |               |

**Consolidated Statement of Financial Position**

as at 31 December 2015 (Expressed in RMB, unless otherwise stated)

|   | Note | As at 31 December     |                       |
|---|------|-----------------------|-----------------------|
|   |      | 2015                  | 2014                  |
| <b>Non-current assets</b>                                       |      |                       |                       |
| Property and equipment  | 21   | 166,368,921           | 135,188,965           |
| Intangible assets   | 22   | 1,410,550             | 2,640,794             |
| Interest in associates and joint ventures                       | 23   | 452,647,843           | 565,433,784           |
| Available-for-sale financial assets                             | 24   | 581,340,923           | 388,451,021           |
| Refundable deposits   | 25   | 517,873,149           | 325,017,473           |
| Deferred tax assets   | 26   | 680,324,436           | 484,277,325           |
| Other non-current assets  | 27   | 59,654,549            | 58,058,293            |
| <b>Total non-current assets</b>                                 |      | <b>2,459,620,371</b>  | <b>1,959,067,655</b>  |
| <b>Current assets</b>   |      |                       |                       |
| Accounts receivable   | 28   | 6,673,871,943         | 8,335,721,064         |
| Receivable from margin clients                                  | 29   | 3,296,432,047         | 3,458,003,477         |
| Available-for-sale financial assets                             | 24   | 618,025,166           | 45,510,660            |
| Financial assets at fair value through profit or loss           | 30   | 45,459,259,668        | 21,653,725,243        |
| Derivative financial assets                                     | 31   | 736,244,468           | 732,808,142           |
| Financial assets held under resale agreements (“reverse REPOs”) | 32   | 1,556,613,621         | 1,621,848,431         |
| Interest receivable   | 33   | 478,508,038           | 341,953,007           |
| Cash held on behalf of brokerage clients                        | 34   | 24,301,353,512        | 11,084,580,427        |
| Cash and bank balances  | 35   | 8,434,085,678         | 3,418,342,380         |
| Other current assets  |      | 94,742,209            | 48,552,559            |
| <b>Total current assets</b>                                     |      | <b>91,649,136,350</b> | <b>50,741,045,390</b> |
| <b>Total assets</b>   |      | <b>94,108,756,721</b> | <b>52,700,113,045</b> |

The notes on pages 138 to 230 form part of these financial statements.

## Consolidated Statement of Financial Position

as at 31 December 2015 (Expressed in RMB, unless otherwise stated)

|  | Note | As at 31 December     |                       |
|--|------|-----------------------|-----------------------|
|  |      | 2015                  | 2014                  |
| <b>Current liabilities</b>   |      |                       |                       |
| Financial liabilities at fair value through profit or loss   | 37   | 5,584,316,162         | 7,525,929,706         |
| Derivative financial liabilities   | 31   | 1,071,011,928         | 737,805,695           |
| Accounts payable to brokerage clients  | 38   | 25,218,051,446        | 15,054,264,345        |
| Placements from financial institutions   | 39   | 1,636,815,800         | 1,529,569,000         |
| Short-term debt securities issued  | 40   | 1,700,000,000         | 900,000,000           |
| Financial assets sold under repurchase agreements (“REPOs”)  | 41   | 14,013,713,250        | 8,350,463,005         |
| Employee benefits payable  |      | 3,013,948,204         | 2,142,051,626         |
| Income tax payable   |      | 625,831,436           | 118,988,286           |
| Other current liabilities  | 42   | 16,391,938,868        | 4,028,052,712         |
| <b>Total current liabilities</b>   |      | <b>69,255,627,094</b> | <b>40,387,124,375</b> |
| <b>Net current assets</b>  |      | <b>22,393,509,256</b> | <b>10,353,921,015</b> |
| <b>Total assets less current liabilities</b>   |      | <b>24,853,129,627</b> | <b>12,312,988,670</b> |
| <b>Non-current liabilities</b>   |      |                       |                       |
| Non-current employee benefits payable  |      | 671,839,359           | 269,154,233           |
| Placements from financial institutions   | 39   | 1,623,400,000         | —                     |
| Long-term debt securities issued   | 43   | 6,071,444,000         | 4,009,635,000         |
| Deferred tax liabilities   | 26   | 31,685,238            | 28,913,466            |
| Other non-current liabilities  | 44   | 12,760,096            | 13,040,255            |
| <b>Total non-current liabilities</b>   |      | <b>8,411,128,693</b>  | <b>4,320,742,954</b>  |
| <b>Net assets</b>  |      | <b>16,442,000,934</b> | <b>7,992,245,716</b>  |
| <b>Equity</b>  |      |                       |                       |
| Share capital/paid-in capital  | 45   | 2,306,669,000         | 1,667,473,000         |
| Reserves   | 45   | 9,084,877,604         | 1,218,716,529         |
| Other equity instruments   | 46   | 1,000,000,000         | —                     |
| Retained profits   |      | 4,050,454,330         | 5,106,056,187         |
| <b>Total equity attributable to shareholders/equity holders of the Company and holders of other equity instruments</b> |      | <b>16,442,000,934</b> | <b>7,992,245,716</b>  |

Approved and authorized for issue by the board of directors on 29 March 2016.

**Bi Mingjian**  
Chief Executive Officer

**Xin Jie**  
Chief Financial Officer

The notes on pages 138 to 230 form part of these financial statements.



## Consolidated Statement of Changes in Equity

for the year ended 31 December 2015 (Expressed in RMB, unless otherwise stated)

|   | Share capital/<br>paid-in<br>capital<br>(Note 45(i)) | Other equity<br>instruments<br>(Note 46) | Reserves                            |                                     |                                     |   |  | Retained<br>profits | Total          |
|---|--|--|-------------------------------------|-------------------------------------|-------------------------------------|---|--|---------------------|----------------|
|   |  |  | Capital<br>reserve<br>(Note 45(ii)) | Surplus<br>reserve<br>(Note 45(ii)) | General<br>reserve<br>(Note 45(ii)) | Investment<br>revaluation<br>reserve<br>(Note 45(ii)) | Foreign<br>currency<br>translation<br>reserve<br>(Note 45(ii)) |                     |                |
| Balance at 1 January 2014                                   | 1,667,473,000  | —  | 26,474,648                          | 412,316,113                         | 1,020,053,307                       | 15,096,490  | (445,582,169)  | 4,170,984,194       | 6,866,815,583  |
| Profit for the year   | —  | —  | —                                   | —                                   | —                                   | —   | —  | 1,118,453,315       | 1,118,453,315  |
| Other comprehensive income for the year                     | —  | —  | —                                   | —                                   | —                                   | 9,133,661   | (2,156,843)  | —                   | 6,976,818      |
| Total comprehensive income for the year                     | —  | —  | —                                   | —                                   | —                                   | 9,133,661   | (2,156,843)  | 1,118,453,315       | 1,125,430,133  |
| Appropriation to surplus reserve                            | —  | —  | —                                   | 61,084,314                          | —                                   | —   | —  | (61,084,314)        | —              |
| Appropriation to general reserve                            | —  | —  | —                                   | —                                   | 122,297,008                         | —   | —  | (122,297,008)       | —              |
| Balance at 31 December 2014<br>and 1 January 2015           | 1,667,473,000  | —  | 26,474,648                          | 473,400,427                         | 1,142,350,315                       | 24,230,151  | (447,739,012)  | 5,106,056,187       | 7,992,245,716  |
| Profit for the year   | —  | —  | —                                   | —                                   | —                                   | —   | —  | 1,952,649,963       | 1,952,649,963  |
| Other comprehensive income for the year                     | —  | —  | —                                   | —                                   | —                                   | 49,911,753  | 149,525,466  | —                   | 199,437,219    |
| Total comprehensive income for the year                     | —  | —  | —                                   | —                                   | —                                   | 49,911,753  | 149,525,466  | 1,952,649,963       | 2,152,087,182  |
| Appropriation to surplus reserve                            | —  | —  | —                                   | 152,845,657                         | —                                   | —   | —  | (152,845,657)       | —              |
| Appropriation to general reserve                            | —  | —  | —                                   | —                                   | 310,726,323                         | —   | —  | (310,726,323)       | —              |
| Issuance of perpetual subordinated bonds                    | —  | 1,000,000,000                            | —                                   | —                                   | —                                   | —   | —  | —                   | 1,000,000,000  |
| Issuance of H shares  | 639,196,000  | —  | 4,661,113,410                       | —                                   | —                                   | —   | —  | —                   | 5,300,309,410  |
| Conversion to joint stock company<br>with limited liability | —  | —  | 3,020,721,641                       | (473,400,427)                       | —                                   | (2,641,374)   | —  | (2,544,679,840)     | —              |
| Others  | —  | —  | (2,641,374)                         | —                                   | —                                   | —   | —  | —                   | (2,641,374)    |
| Balance at 31 December 2015                                 | 2,306,669,000  | 1,000,000,000                            | 7,705,668,325                       | 152,845,657                         | 1,453,076,638                       | 71,500,530  | (298,213,546)  | 4,050,454,330       | 16,442,000,934 |

The notes on pages 138 to 230 form part of these financial statements.

## Consolidated Cash Flow Statement

for the year ended 31 December 2015 (Expressed in RMB, unless otherwise stated)

|  | Year ended 31 December |                 |
|--|------------------------|-----------------|
|  | 2015                   | 2014            |
| Cash flows from operating activities:  |                        |                 |
| Profit before income tax   | 2,620,577,400          | 1,505,856,720   |
| Adjustments for:   |                        |                 |
| Interest expense on debt securities issued and other financing expenses  | 440,534,761            | 318,406,982     |
| Depreciation and amortization expenses   | 51,081,279             | 59,910,934      |
| Provision for impairment losses  | 3,375,632              | 31,619,896      |
| Net loss on disposal of property, equipment and other assets   | 6,166,012              | 1,060,481       |
| Fair value gain on financial instruments at fair value through profit or loss                                  | (26,461,310)           | (601,425,587)   |
| Foreign exchange gain  | (59,877,579)           | (1,692,030)     |
| Net gain on disposal of available-for-sale financial assets  | (92,441,537)           | (11,724,454)    |
| Dividend income from available-for-sale financial assets, and share of profit of associates and joint ventures | (116,541,567)          | (67,773,612)    |
| Operating cash flows before movements in working capital   | 2,826,413,091          | 1,234,239,330   |
| Decrease/(increase) in receivable from margin clients  | 161,571,430            | (1,360,465,345) |
| Increase in accounts receivables, other receivables and prepayments  | (853,351,799)          | (4,908,219,515) |
| Decrease in reverse REPOs  | 60,234,810             | 688,464,017     |
| Increase in financial instruments at fair value through profit or loss   | (20,907,609,384)       | (1,202,992,477) |
| Decrease/(increase) in available-for-sale financial assets   | 16,841,306             | (6,996,207)     |
| Increase in cash held on behalf of brokerage clients   | (13,216,773,085)       | (5,849,068,214) |
| (Increase)/decrease in restricted bank deposits  | (375,325,979)          | 56,777,738      |
| Increase in refundable deposits  | (192,774,607)          | (104,816,964)   |
| Increase in accounts payables to brokerage clients   | 10,163,787,101         | 9,348,074,677   |
| Increase in REPOs  | 3,843,250,245          | 1,074,642,130   |
| Increase in other liabilities  | 13,629,305,951         | 2,202,980,356   |
| Cash (used in)/generated from operating activities, before tax   | (4,844,430,920)        | 1,172,619,526   |
| Income taxes paid  | (382,169,980)          | (130,503,097)   |
| Net cash (used in)/generated from operating activities   | (5,226,600,900)        | 1,042,116,429   |

The notes on pages 138 to 230 form part of these financial statements.

## Consolidated Cash Flow Statement

for the year ended 31 December 2015 (Expressed in RMB, unless otherwise stated)

|  | Note | Year ended 31 December |                 |
|--|------|------------------------|-----------------|
|  |      | 2015                   | 2014            |
| Cash flows from investing activities:                                      |      |                        |                 |
| Proceeds from sale of investments  |      | 122,951,135            | 82,193,800      |
| Interest received  |      | —                      | 815,989         |
| Net gain on disposal of available-for-sale financial assets                |      | 262,597,073            | 15,588,134      |
| Dividends received   |      | 12,876,203             | —               |
| (Payment for)/proceeds from disposal of property and equipment             |      | (694,360)              | 2,893,768       |
| Payment for acquisition of investments                                     |      | (1,067,043,221)        | (277,352,418)   |
| Decrease due to cease of control over a subsidiary                         |      | —                      | (54,143)        |
| Payment for the purchase of property, equipment and other long-term assets |      | (94,831,996)           | (62,885,795)    |
| Net cash used in investing activities                                      |      | (764,145,166)          | (238,800,665)   |
| Cash flows from financing activities:                                      |      |                        |                 |
| Net proceeds from issue of share capital                                   |      | 5,300,309,410          | —               |
| Cash received from short-term commercial papers issued                     |      | 4,100,000,000          | 6,300,000,000   |
| Cash received from subordinated bonds issued                               |      | 2,000,000,000          | —               |
| Cash received from other equity instruments issued                         |      | 1,000,000,000          | —               |
| Cash received from beneficiary certificates issued                         |      | 3,470,000,000          | 100,000,000     |
| Cash received from syndication loan  |      | 1,623,400,000          | —               |
| Repayments of debt securities issued                                       |      | (6,770,000,000)        | (6,500,000,000) |
| Cash paid for interest   |      | (352,555,403)          | (324,109,163)   |
| Cash paid relating to other financing activities                           |      | (11,202,668)           | (3,365,919)     |
| Net cash generated from/(used in) financing activities                     |      | 10,359,951,339         | (427,475,082)   |
| Net increase in cash and cash equivalents                                  |      | 4,369,205,273          | 375,840,682     |
| Cash and cash equivalents at the beginning of the year                     |      | 3,351,782,566          | 2,972,760,197   |
| Effect of changes in foreign exchange rate                                 |      | 271,212,046            | 3,181,687       |
| Cash and cash equivalents at the end of the year                           | 36   | 7,992,199,885          | 3,351,782,566   |
| Net cash (used in)/generated from operating activities including:          |      |                        |                 |
| Interest received  |      | 884,266,743            | 414,595,519     |
| Interest paid  |      | (619,332,884)          | (413,891,687)   |

The notes on pages 138 to 230 form part of these financial statements.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 1 General Information

The Company was established on 31 July 1995 in the name of China International Capital Corporation Limited (中國國際金融有限公司) in the People's Republic of China ("PRC") as approved by the People's Bank of China ("PBOC").

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability.

The Company was listed on the Main Board of the Stock Exchange of Hong Kong on 9 November 2015.

The registered address of the Company is the 27th and 28th Floor, China World Trade Center 2, 1 Jian Guo Men Wai Avenue, Beijing.

The Group principally engaged in investment banking business, equity sales and trading business, principal investment and trading business, wealth management business, investment management business and other business activities.

### 2 Significant Accounting Policies

#### (a) Statement of compliance

The Group has prepared the financial statements, which comprise the consolidated statement of financial position of the Group as at 31 December 2015, and 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 notes (the "financial statements") in accordance with International Financial Reporting Standards ("IFRSs") and related interpretations issued by the International Accounting Standards Board (the "IASB") accounting principles generally accepted in Hong Kong 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.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the financial statements, the Group has adopted all applicable new and revised IFRSs in issue which are effective for the accounting year ended 31 December 2015 and relevant to the Group for the year. The Group has not adopted any new standards or interpretations that are not yet effective for the accounting year ended 31 December 2015, except for its early adoption of Amendment to IAS 27 Separate Financial Statements. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year ended 31 December 2015 are set out in Note 5.

#### (b) Basis of preparation of the financial statements

The financial statements have 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(f) (ii).

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (b) Basis of preparation of the financial statements (continued)

The financial statements are presented in RMB, which is the functional currency of the Group. Each entity in the Group determines its own functional currency which is used to measure the items included in its financial statements. The Group translates the financial statements of subsidiaries from their respective functional currencies into the Group's functional currency if the subsidiaries' functional currencies are not the same as that of the Group.

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the 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 about 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 recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

The accounting policies set out below have been consistently applied to all periods presented in the financial statements.

#### (c) Basis of consolidation

##### (i) Business combinations

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 well as 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.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (c) Basis of consolidation (continued)

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

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 statement of financial position within equity, separately from equity attributable to the equity holders/shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement 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 holders of non-controlling interests and the equity holders/shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(c) (iii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)), 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 RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (c) Basis of consolidation (continued)

##### (iii) Associates and joint ventures

An associate is an entity in which the Group or the 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 the 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 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(k)). 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 recognized in the Group's profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognized in the Group's other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)).

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).

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (d) Foreign currency

##### (i) Translation of foreign currencies

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 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 assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of the year. Exchange gains and losses are recognized in profit or loss, except those arising from foreign currency borrowing used to hedge a net investment in a foreign operation which are recognized in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to RMB using the foreign exchange rates ruling at the transaction dates. 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.

##### (ii) Foreign operations

The results of foreign operations are translated to RMB at the exchange rates approximating the spot exchange rate ruling at the transaction dates. Statement of financial position items are translated to RMB at the closing foreign exchange rates at the end of the year. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the foreign currency translation reserve.

Upon disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

#### (e) Cash and cash equivalents

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



## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (f) Financial instruments

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

A financial asset or financial liability is recognized in the statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs.

Financial assets and financial liabilities are categorized as follows:

- (1) 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 as 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 designated as at fair value through profit or loss.

Financial assets and financial liabilities are designated as 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.

If the financial assets or financial liabilities contain one or more embedded derivatives, they are designated as at fair value through profit or loss unless:

- the embedded derivatives does not significantly modify the cash flows that would otherwise be required under the contract; or
- it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivatives is prohibited.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deduction for transaction costs that may occur on sale, and changes therein are recognized in profit or loss.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (f) Financial instruments (continued)

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

##### (2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses (see Note 2(f) (iii)).

##### (3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than

- those that the Group, upon initial recognition, designated as at fair value through profit or loss or as available-for-sale; or
- those that meet the definition of loans and receivables.

Held-to-maturity investments are carried at amortized cost using the effective interest method, less any impairment losses (see Note 2(f) (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.

##### (4) 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.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (f) Financial instruments (continued)

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

##### (4) Available-for-sale financial assets (continued)

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when the Group becomes entitled to the dividend (see Note 2(o) (iv)). Impairment losses are recognized in profit or loss (see Note 2(f) (iii)).

Other fair value changes, other than impairment losses, are recognized in other comprehensive income and presented in the investment revaluation reserve within equity. When the investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

##### (5) Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

##### (ii) Fair value measurement principles

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 RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (f) 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 asset 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.

##### (1) Loans and receivables

The Group assesses 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 an observable indication of a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (f) Financial instruments (continued)

##### (iii) Impairment of financial assets (continued)

##### (2) Held-to-maturity investments

The impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognized in profit or loss.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortized cost at the date of the reversal had the impairment not been recognized.

##### (3) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the investment revaluation reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayment and amortization and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

For the available-for-sale equity investment, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is “significant” or “prolonged” requires 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 recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognized in other comprehensive income.

For investments in equity instruments measured at cost, the amount of any impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognized in profit or loss. Any impairment loss in respect of available-for-sale equity investments carried at cost should not be reversed.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (f) Financial instruments (continued)

##### (iv) *Derecognition of financial assets and financial liabilities*

Financial assets (or a part of a financial asset or group of financial assets) are derecognized when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire; or
- the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognize the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognized only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized in profit or loss.

##### (v) *Offsetting*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by 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 recognized in equity. Considerations and transaction costs paid by the Group for repurchasing its own equity instruments are deducted from equity.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (f) Financial instruments (continued)

##### (vii) Derivative financial instruments

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designed as hedging instrument are recognized in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

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

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

#### (g) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statement of financial position at amortized cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortized cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognized respectively as interest income and interest expense over the life of each agreement using the effective interest method.

#### (h) Property and equipment

##### (i) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses (Note 2(k)). Property and equipment under construction is stated at cost less impairment losses (Note 2(k)).

The cost of a purchased property and equipment asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalized as the cost of construction in progress.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (h) Property and equipment (continued)

##### (ii) Subsequent costs

The subsequent costs including the cost of replacing part of an item of property or equipment are recognized in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

##### (iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of property and equipment. Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately. The estimated useful lives and the rate of net residual values of each class of property and equipment are as follows:

|                        | Estimated<br>useful life | Estimated rate<br>of residual value |
|------------------------|--------------------------|-------------------------------------|
| Land and building      | 20 years                 | 5%                                  |
| Office equipment       | 2 - 5 years              | 0% - 10%                            |
| Furniture and fixtures | 3 - 5 years              | 0% - 10%                            |
| Motor vehicles         | 3 years                  | 0% - 10%                            |
| Leasehold improvements | Lease term               | 0%                                  |

No depreciation is provided in respect of property and equipment under construction.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

##### (iv) Gains or losses from the retirement or disposal

Gains or losses arising from the retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss on the date of disposal or retirement.

#### (i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.



## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (i) Leased assets (continued)

##### (i) *Assets acquired under finance lease*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property and equipment and the corresponding liabilities, net of finance charges, are recorded as long-term finance leases payable. Depreciation is provided at rates which write off the cost over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

##### (ii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

#### (j) Intangible assets

Intangible assets are stated in the statement of financial position at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (Note 2(k)).

Amortization of an intangible asset with finite useful life is charged to profit or loss on a straight-line basis over its estimated useful life. Both the period and method of amortization are reviewed annually.

Intangible assets are not amortized while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out above.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (k) Impairment of non-financial assets

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

- property and equipment (other than properties carried at revalued amounts);
- intangible assets;
- investments in subsidiaries, associates and joint ventures.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for 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.

#### - *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### - *Recognition of impairment losses*

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

#### - *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (l) Provisions and contingent liabilities

A provision is recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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.

#### (m) Employee benefits

##### (i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations in the 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.

##### (ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits 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. Remeasurements are recognized in profit or loss in the period in which they arise.

##### (iii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (n) Offsetting

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

#### (o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) *Underwriting, sponsoring fees, financial advisory fees and investment advisory fees*

Underwriting, sponsoring fees, financial advisory fees and investment advisory fees are recognized in profit or loss when the corresponding service is provided.

(ii) *Asset management fees*

Asset management fees are recognized when the Company is entitled to receive the fees according to the asset management agreement.

(iii) *Brokerage commission income*

Brokerage commission income includes commission income from brokerage trading of securities and leasing out trading seats. Commission income from brokerage trading of securities is recognized on the trade date. Commission income from leasing out trading seats is recognized on an accrual basis.

(iv) *Dividend income*

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established. Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

(v) *Interest income*

Interest income is recognized in profit or loss by using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the year. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period, to net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation of the effective interest rate includes all fees paid or received between parties to the contract, transaction costs, and all other discounts or premiums that are an integral part of the effective interest rate.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (p) Expenses recognition

(i) *Interest expenses*

Interest expenses are accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

(ii) *Fee and commission expenses*

Fee and commission expenses are charged to profit or loss on an accrual basis.

(iii) *Other expenses*

Other expenses are recognized on an accrual basis.

#### (q) Income tax

Income tax expense comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of year, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss related to the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (q) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of year and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to settle the current tax assets and the current tax liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

#### (r) Dividends appropriated to investors

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

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (s) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

#### (t) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
  - (1) has control or joint control over the Group;
  - (2) has significant influence over the Group; or
  - (3) 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:
  - (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (2) 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);
  - (3) Both entities are joint ventures of the same third party;
  - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (6) The entity is controlled or jointly controlled by a person identified in (i);
  - (7) A person identified in (i) (1) 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).

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 RMB, unless otherwise stated)

### 2 Significant Accounting Policies (continued)

#### (u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various business lines and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of clients, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

#### (v) 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 in the course of carrying out such fiduciary activities are not included in the consolidated statement of financial position as the risks and rewards of the assets reside with customers.

### 3 Significant Accounting Judgement and Estimates

#### (a) Fair value of financial instruments

As indicated in Note 2(f) (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(f) (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 RMB, unless otherwise stated)

### 3 Significant Accounting Judgement and Estimates (continued)

#### (b) Financial asset and liability classification

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 “held for trading”, the Group has determined that it meets the definition of financial assets and liabilities held for trading set out in Note 2(f) (i).
- In designating financial assets or liabilities as 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(f) (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(f) (i). In evaluating whether requirements to classify a financial asset as held-to-maturity are met, management makes significant judgements.

#### (c) Impairment of available-for-sale investments

For available-for-sale investments, a significant or prolonged decline in fair value is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as in the price of the specific investment are taken into account. The Group also takes into account other factors, such as industry and sector performance and financial statements regarding the investee. The Group considers a decline to be significant if the fair value of the investment drops below its initial cost by 20% or more and to be prolonged if the fair value of the investment remains below its cost for one year or longer.

#### (d) Impairment of accounts receivables and receivables from margin clients

Accounts receivables and receivables from margin clients that are measured at amortized cost are reviewed at the 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 flows of an individual debtor. If there is an indication that there has been a favorable change in the factors used to determine the provision for impairment, the impairment loss recognized in prior years is reversed.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 3 Significant Accounting Judgement and Estimates (continued)

#### (e) Impairment of non-financial assets

Non-financial assets are reviewed at the end of year to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, impairment loss is provided.

The recoverable amount of an asset (or a group of assets) is the greater of its fair value less costs of disposal and value in use. In assessing value in use, significant judgements are exercised over the asset's production, 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.

#### (f) Income tax

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 made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all tax legislations. Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

#### (g) 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 RMB, unless otherwise stated)

### 4 Taxation

#### (a) Business tax and surcharges

The major type of turnover tax derived from services provided by the Company and its domestic subsidiaries is business tax. The business tax rate applicable to the Company and its domestic subsidiaries is 5%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of business tax respectively.

#### (b) Value-added tax (“VAT”) and surcharges

The advisory and consulting services provided by the Company are subject to VAT since December 2015. The applicable tax rate for advisory and consulting services income is 6%. The urban maintenance and construction tax, education surcharge and local education surcharge are charged at 7%, 3% and 2% of VAT respectively.

#### (c) Income tax

The income tax rate applicable to the Company and its domestic subsidiaries is 25%.

The income tax rate applicable to the subsidiaries in Hong Kong is 16.5%. Taxes of other overseas subsidiaries are charged at the relevant local rates.

### 5 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2015

Up to 31 December 2015, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year. These include the following which may be relevant to the Group.

|  | Effective for<br>accounting<br>periods<br>beginning<br>on or after |
|--|--|
| IFRS 9, Financial instruments                  | 1 January, 2018  |
| IFRS 15, Revenue from contracts with customers | 1 January, 2018  |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 5 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2015 (continued)

#### IFRS 9, Financial instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the recognition in other comprehensive income of ‘own credit risk’ related gains and losses that are part of the fair value changes of financial liabilities designated as measured at fair value through profit or loss. In November 2013 the new requirements for general hedge accounting were added to IFRS 9. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 that are relevant to the Group are:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling financial assets, and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. IFRS 9 requires an entity to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 5 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2015 (Continued)

The Group is in the process of assessing the potential impact on the financial statements resulting from the adoption of IFRS 9. So far it has concluded that the adoption of IFRS 9 may have an impact on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in IAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. IFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. Until a detailed review of the impact of adopting IFRS 9 is performed, the Group cannot provide a reasonable estimate that quantifies the impact on its financial statements nor can it yet conclude whether that impact will be significant or not.

#### IFRS 15, Revenue from contracts with customers

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group is in the process of assessing the potential impact on the financial statements resulting from the application of IFRS 15. So far it has concluded that the adoption of IFRS 15 is unlikely to have a significant impact on the Group's results of operations and financial position.

### 6 Fee and Commission Income

|                                  | Year ended 31 December |                      |
|----------------------------------|------------------------|----------------------|
|                                  | 2015                   | 2014                 |
| Brokerage commission income      | 2,734,074,667          | 1,408,903,412        |
| Underwriting and sponsoring fees | 2,196,579,154          | 1,753,050,090        |
| Financial advisory fees          | 537,545,484            | 208,532,694          |
| Investment advisory fees         | 210,682,234            | 258,182,062          |
| Asset management fees            | 908,934,486            | 523,218,515          |
| <b>Total</b>                     | <b>6,587,816,025</b>   | <b>4,151,886,773</b> |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 7 Interest Income

|   | Year ended 31 December |                    |
|---|------------------------|--------------------|
|   | 2015                   | 2014               |
| Interest income from financial institutions   | 569,185,640            | 181,484,236        |
| Interest income from margin financing and securities lending                              | 381,020,021            | 181,105,836        |
| Interest income from reverse REPOs  | 67,991,501             | 86,302,720         |
| Others  | 2,302,832              | 915,353            |
| <b>Total interest income on financial assets not at fair value through profit or loss</b> | <b>1,020,499,994</b>   | <b>449,808,145</b> |

### 8 Investment Income

|   | Year ended 31 December |                      |
|---|------------------------|----------------------|
|   | 2015                   | 2014                 |
| Net gains from disposal of available-for-sale financial assets            | 104,234,468            | 19,906,591           |
| Dividend income from available-for-sale financial assets                  | 12,876,203             | —                    |
| Net gains from financial instruments at fair value through profit or loss | 3,326,117,143          | 1,537,099,716        |
| Net losses from derivative financial instruments                          | (1,589,891,675)        | (30,237,060)         |
| <b>Total</b>  | <b>1,853,336,139</b>   | <b>1,526,769,247</b> |

### 9 Other Income

|                   | Year ended 31 December |                   |
|-------------------|------------------------|-------------------|
|                   | 2015                   | 2014              |
| Tax refunds       | 8,267,386              | 7,053,510         |
| Government grants | 19,671,416             | 14,186,628        |
| Others            | 17,093,675             | 6,087,041         |
| <b>Total</b>      | <b>45,032,477</b>      | <b>27,327,179</b> |

The government grants were received by the Company and its subsidiaries from the local government where they reside with no condition attached.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 10 Fee and Commission Expenses

|                                      | Year ended 31 December |                    |
|--------------------------------------|------------------------|--------------------|
|                                      | 2015                   | 2014               |
| Brokerage expenses                   | 258,174,146            | 104,800,872        |
| Underwriting and sponsoring expenses | 83,702,460             | 68,824,565         |
| Other fee and commission expenses    | 77,681,095             | 54,146,939         |
| <b>Total</b>                         | <b>419,557,701</b>     | <b>227,772,376</b> |

### 11 Interest Expenses

|   | Year ended 31 December |                    |
|---|------------------------|--------------------|
|   | 2015                   | 2014               |
| Interest expenses of accounts payable to brokerage clients  | 172,567,808            | 42,984,632         |
| Interest expenses on REPOs  | 345,510,698            | 294,145,990        |
| Interest expenses on placements from financial institutions   | 117,524,392            | 78,956,656         |
| Interest expenses on short-term debt securities issued  | 60,735,099             | 74,552,995         |
| Interest expenses on notes payable  | 65,462,363             | 64,630,250         |
| Interest expenses on subordinated bonds   | 242,209,073            | 180,000,000        |
| Interest expenses on beneficiary certificates   | 49,507,735             | 39,726             |
| Interest expenses on syndication loan   | 20,158,500             | —                  |
| Others  | 21,105,697             | 6,771,536          |
| <b>Total interest expense on financial liabilities<br/>not at fair value through profit or loss</b> | <b>1,094,781,365</b>   | <b>742,081,785</b> |

### 12 Staff Costs

|                                 | Year ended 31 December |                      |
|---------------------------------|------------------------|----------------------|
|                                 | 2015                   | 2014                 |
| Salaries, bonus and allowance   | 3,862,059,045          | 2,398,637,658        |
| Retirement scheme contributions | 74,384,167             | 58,465,905           |
| Other social welfare            | 71,370,036             | 58,669,859           |
| Other benefits                  | 43,172,604             | 39,748,705           |
| <b>Total</b>                    | <b>4,050,985,852</b>   | <b>2,555,522,127</b> |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 12 Staff Costs (continued)

Salary, bonus and allowance for the year ended 31 December 2015 includes staff long-term incentive compensation expenses of RMB600 million.

The Group is required to participate in pension schemes in the PRC, Hong Kong and other jurisdictions 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 Directors' and Supervisors' Remuneration

Directors' and supervisors' remuneration is as follows:

| Name                               | Year ended 31 December 2015 |   |                       |                                 | Total remuneration |
|------------------------------------|-----------------------------|---|-----------------------|---------------------------------|--------------------|
|                                    | Fees                        | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions |                    |
| Executive Director                 |                             |   |                       |                                 |                    |
| Bi Mingjian (Note 2)               | —                           | 1,249,419                                 | 3,448,055             | 34,095                          | 4,731,569          |
| Non-executive Director             |                             |   |                       |                                 |                    |
| Ding Xuedong (Note 3&4)            | —                           | —   | —                     | —                               | —                  |
| Zhao Haiying (Note 4)              | —                           | —   | —                     | —                               | —                  |
| David Bonderman                    | 37,730                      | —   | —                     | —                               | 37,730             |
| Liu Haifeng David (Note 5)         | —                           | —   | —                     | —                               | —                  |
| Shi Jun (Note 6)                   | 37,730                      | —   | —                     | —                               | 37,730             |
| Johnson Cha                        | 37,730                      | —   | —                     | —                               | 37,730             |
| Teh Kok Peng (Note 7)              | 115,502                     | —   | —                     | —                               | 115,502            |
| Henry Kravis (Note 8)              | 25,278                      | —   | —                     | —                               | 25,278             |
| Independent Non-executive Director |                             |   |                       |                                 |                    |
| Edwin Roca Lim (Note 9)            | 312,645                     | —   | —                     | —                               | 312,645            |
| Cao Tong (Note 9)                  | 301,445                     | —   | —                     | —                               | 301,445            |
| Siu Wai Keung (Note 9)             | 316,045                     | —   | —                     | —                               | 316,045            |
| Ben Shenglin (Note 9)              | 312,645                     | —   | —                     | —                               | 312,645            |
| Supervisor                         |                             |   |                       |                                 |                    |
| Han Weiqiang (Note 10&11)          | —                           | —   | —                     | —                               | —                  |
| Liu Haoling (Note 10&12)           | —                           | —   | —                     | —                               | —                  |
| Jin Lizuo (Note 10)                | 155,419                     | —   | —                     | —                               | 155,419            |
| <b>Total</b>                       | <b>1,652,169</b>            | <b>1,249,419</b>                          | <b>3,448,055</b>      | <b>34,095</b>                   | <b>6,383,738</b>   |



## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 13 Directors' and Supervisors' Remuneration (continued)

| Name                    | Year ended 31 December 2014 |   |                       |                                 | Total remuneration |
|-------------------------|-----------------------------|---|-----------------------|---------------------------------|--------------------|
|                         | Fees                        | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions |                    |
| Jin Liqun (Note 13)     | —                           | 1,436,860                                 | —                     | —                               | 1,436,860          |
| Ding Xuedong (Note 3&4) | —                           | —   | —                     | —                               | —                  |
| Zhao Haiying (Note 4)   | —                           | —   | —                     | —                               | —                  |
| Teh Kok Peng            | 115,095                     | —   | —                     | —                               | 115,095            |
| David Bonderman         | 115,095                     | —   | —                     | —                               | 115,095            |
| Henry Kravis            | 115,095                     | —   | —                     | —                               | 115,095            |
| Johnson Cha             | 115,095                     | —   | —                     | —                               | 115,095            |
| Shi Jun (Note 6)        | 89,817                      | —   | —                     | —                               | 89,817             |
| Liu Xinlai (Note 14)    | 25,278                      | —   | —                     | —                               | 25,278             |
| <b>Total</b>            | <b>575,475</b>              | <b>1,436,860</b>                          | <b>—</b>              | <b>—</b>                        | <b>2,012,335</b>   |

Note 1: The amounts disclosed above in respect of the remuneration of directors and supervisors were net of tax.

Note 2: Appointed as executive director in May 2015. The remuneration of Mr. Bi Mingjian during the year includes the compensation for the services provided by Mr. Bi Mingjian acting as the Chief Executive Officer of the Company.

Note 3: Appointed as Chairman of the Board in October 2014.

Note 4: The director's fees of Mr. Ding Xuedong and Ms. Zhao Haiying were waived with their authorization.

Note 5: Appointed as non-executive director in February 2015. The director's fees of Mr. Liu Haifeng David were waived with his authorization.

Note 6: Mr. Shi Jun was appointed as director in December 2013 and his appointment became effective in January 2014. The Company paid all the director's fees and the fees for directors' meetings of Mr. Shi Jun to the Labour Union of China National Investment & Guaranty Co., Ltd. during the year.

Note 7: Resigned as director in July 2015.

Note 8: Resigned as director in April 2015.

Note 9: Appointed as independent non-executive director in May 2015.

Note 10: Appointed as supervisor in May 2015.

Note 11: The remuneration of Mr. Han Weiqiang with the Company in accordance with the employee remuneration system is not included.

Note 12: The supervisor's fees of Mr. Liu Haoling were waived with his authorization.

Note 13: Mr. Jin Liqun was appointed as Chairman of the Board in May 2013 and resigned in October 2014.

Note 14: Mr. Liu Xinlai resigned as director in December 2013 and his resignation became effective in January 2014. The director's fees and the fees for directors' meetings of Mr. Liu Xinlai were paid by the Company to the Labour Union of China National Investment & Guaranty Co., Ltd.

There were no amounts paid during the year to the directors and supervisors in connection with their retirement from employment or as compensation for loss of office with the Group, or as inducement to join. There was no other arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 14 Individuals With Highest Emoluments

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 13. The aggregate of the emoluments are as follows:

|                                 | Year ended 31 December |                   |
|---------------------------------|------------------------|-------------------|
|                                 | 2015                   | 2014              |
| Salaries and other emoluments   | 8,063,952              | 8,270,699         |
| Discretionary bonuses           | 72,919,770             | 61,269,706        |
| Retirement scheme contributions | 231,799                | 752,803           |
| <b>Total</b>                    | <b>81,215,521</b>      | <b>70,293,208</b> |

The emoluments of these individuals with the highest emoluments are within the following bands:

|                                | Number of individuals |      |
|--------------------------------|-----------------------|------|
|                                | 2015                  | 2014 |
| RMB12,000,001 to RMB12,500,000 | —                     | 1    |
| RMB13,500,001 to RMB14,000,000 | —                     | 2    |
| RMB14,000,001 to RMB14,500,000 | 2                     | 1    |
| RMB15,500,001 to RMB16,000,000 | 1                     | —    |
| RMB16,000,001 to RMB16,500,000 | —                     | 1    |
| RMB17,000,001 to RMB17,500,000 | 1                     | —    |
| RMB19,500,001 to RMB20,000,000 | 1                     | —    |

No emoluments are paid or payable to these individuals in connection with their retirement from employment or as compensation for loss of office or inducement to join during the year.

### 15 Depreciation and Amortization Expenses

|  | Year ended 31 December |                   |
|--|------------------------|-------------------|
|  | 2015                   | 2014              |
| Depreciation of property and equipment | 49,826,580             | 57,687,793        |
| Amortization of intangible assets      | 1,254,699              | 2,223,141         |
| <b>Total</b>                           | <b>51,081,279</b>      | <b>59,910,934</b> |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 16 Other Operating Expenses

|  | Year ended 31 December |                    |
|--|------------------------|--------------------|
|  | 2015                   | 2014               |
| Operating lease charges in respect of property and equipment | 234,737,005            | 222,419,466        |
| Business development expenses                                | 316,058,418            | 279,069,711        |
| Information technology related expenses                      | 101,526,428            | 95,501,988         |
| Travelling and transportation expenses                       | 115,066,336            | 76,125,990         |
| Professional service fees                                    | 109,340,395            | 79,787,627         |
| Utilities and maintenance                                    | 40,409,779             | 34,879,576         |
| Securities Investor Protection Fund                          | 30,242,554             | 17,256,813         |
| Auditors' remuneration                                       | 10,484,308             | 3,365,673          |
| Others   | 5,845,628              | 44,395,943         |
| <b>Total</b>   | <b>963,710,851</b>     | <b>852,802,787</b> |

### 17 Provision for Impairment Losses

|   | Year ended 31 December |                   |
|---|------------------------|-------------------|
|   | 2015                   | 2014              |
| (Reversal of)/provision for impairment losses against accounts receivable             | (8,081,121)            | 31,619,896        |
| Provision for impairment losses against receivable from margin clients                | 5,777,853              | —                 |
| Provision for impairment losses against financial assets held under resale agreements | 5,678,900              | —                 |
| <b>Total provision</b>  | <b>3,375,632</b>       | <b>31,619,896</b> |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 18 Income Tax Expense

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

|   | Year ended 31 December |             |
|---|------------------------|-------------|
|   | 2015                   | 2014        |
| Current tax                                       |                        |             |
| – PRC income tax                                  | 819,600,714            | 156,070,645 |
| – Hong Kong profits tax                           | 50,016,094             | 65,467,446  |
| Subtotal  | 869,616,808            | 221,538,091 |
| Deferred tax                                      |                        |             |
| Origination and reversal of temporary differences | (201,689,371)          | 165,865,314 |
| Total   | 667,927,437            | 387,403,405 |

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

The income tax has been provided at the statutory rate of 25%, in accordance with the relevant tax laws in Mainland China (for the purpose of this report, Mainland China excludes Hong Kong, Macau and Taiwan) during the year. Taxes on profits assessable outside Mainland China have been calculated at the applicable rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on the existing legislation, interpretations and practices. A reconciliation of income tax expenses calculated by applying the PRC statutory income tax rate to profit before tax to the income tax expense in the consolidated statement of profit or loss is as follows:

|  | Year ended 31 December |               |
|--|------------------------|---------------|
|  | 2015                   | 2014          |
| Profit before income tax                                     | 2,620,577,400          | 1,505,856,720 |
| Income tax calculated at the PRC statutory income tax rate   | 655,144,350            | 376,464,180   |
| Non-deductible expenses                                      | 38,800,568             | 29,288,806    |
| Non-taxable interest income                                  | (19,009,851)           | (8,592,545)   |
| Non-taxable dividends income                                 | (3,219,051)            | —             |
| Effect of different applicable tax rates of the subsidiaries | (47,710,242)           | (92,729,201)  |
| Tax effect of unused tax losses not recognized               | 40,300,144             | 87,797,081    |
| Others   | 3,621,519              | (4,824,916)   |
| Total income tax expense                                     | 667,927,437            | 387,403,405   |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 19 Profit Attributable to Shareholders/Equity Holders of the Company and Holders of Other Equity Instruments

The consolidated profit attributable to shareholders/equity holders of the Company and holders of other equity instruments includes a profit of RMB610,843,137 and RMB1,528,456,576 which have been dealt with in the financial statements of the Company in 2014 and 2015, respectively.

### 20 Basic and Diluted Earnings Per Share

|   | Year ended 31 December |               |
|---|------------------------|---------------|
|   | 2015                   | 2014          |
| Profit attributable to shareholders/equity holders of the Company and holders of other equity instruments (RMB) | 1,952,649,963          | 1,118,453,315 |
| Accumulated interest for holders of perpetual subordinated bonds  | (33,887,671)           | —             |
| Weighted average number of ordinary shares in issue   | 1,720,739,333          | 1,667,473,000 |
| Basic earnings per share (in RMB per share)   | 1.12                   | 0.67          |

Note: Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability and issued 1,667,473,000 ordinary shares at par value of RMB1 each. Basic earnings per share have been computed as if the conversion had been effective on 1 January 2014.

There were no dilutive potential ordinary shares during the year, and therefore, diluted earnings per share are the same as the basic earnings per share.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 21 Property and Equipment

|  | Land and<br>buildings | Office<br>equipment | Furniture<br>and fixtures | Motor<br>vehicles | Leasehold<br>improvements | Total         |
|--|-----------------------|---------------------|---------------------------|-------------------|---------------------------|---------------|
| <b>Cost</b>                                |                       |                     |                           |                   |                           |               |
| At 1 January 2015                          | —                     | 555,797,490         | 46,264,853                | 1,366,588         | 449,540,286               | 1,052,969,217 |
| Acquisitions                               | 4,294,530             | 13,424,558          | 21,846                    | —                 | 2,138,086                 | 19,879,020    |
| Additions                                  | —                     | 49,937,043          | 2,171,988                 | —                 | 21,293,057                | 73,402,088    |
| Disposal                                   | —                     | (38,508,146)        | (1,140,719)               | —                 | (18,343,012)              | (57,991,877)  |
| Effect of changes in foreign exchange rate | —                     | 4,643,458           | 532,592                   | —                 | 3,373,315                 | 8,549,365     |
| At 31 December 2015                        | 4,294,530             | 585,294,403         | 47,850,560                | 1,366,588         | 458,001,732               | 1,096,807,813 |
| <b>Accumulated depreciation</b>            |                       |                     |                           |                   |                           |               |
| At 1 January 2015                          | —                     | (464,184,162)       | (42,245,203)              | (878,109)         | (410,472,778)             | (917,780,252) |
| Acquisitions                               | (712,880)             | (6,654,264)         | (17,315)                  | —                 | (336,125)                 | (7,720,584)   |
| Additions                                  | (155,342)             | (31,481,312)        | (623,156)                 | (150,780)         | (17,415,990)              | (49,826,580)  |
| Disposals                                  | —                     | 34,462,923          | 637,812                   | —                 | 17,419,491                | 52,520,226    |
| Effect of changes in foreign exchange rate | —                     | (4,008,783)         | (533,671)                 | —                 | (3,089,248)               | (7,631,702)   |
| At 31 December 2015                        | (868,222)             | (471,865,598)       | (42,781,533)              | (1,028,889)       | (413,894,650)             | (930,438,892) |
| <b>Carrying amount</b>                     |                       |                     |                           |                   |                           |               |
| At 31 December 2015                        | 3,426,308             | 113,428,805         | 5,069,027                 | 337,699           | 44,107,082                | 166,368,921   |
| At 31 December 2014                        | —                     | 91,613,328          | 4,019,650                 | 488,479           | 39,067,508                | 135,188,965   |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 21 Property and Equipment (continued)

|  | Office<br>equipment | Furniture<br>and fixtures | Motor<br>vehicles | Leasehold<br>improvements | Total         |
|--|---------------------|---------------------------|-------------------|---------------------------|---------------|
| <b>Cost</b>                                |                     |                           |                   |                           |               |
| At 1 January 2014                          | 539,018,175         | 46,197,946                | 863,988           | 440,125,196               | 1,026,205,305 |
| Additions                                  | 45,775,961          | 345,686                   | 502,600           | 14,126,809                | 60,751,056    |
| Disposal                                   | (28,326,606)        | (147,692)                 | —                 | (3,378,978)               | (31,853,276)  |
| Effect of changes in foreign exchange rate | (670,040)           | (131,087)                 | —                 | (1,332,741)               | (2,133,868)   |
| At 31 December 2014                        | 555,797,490         | 46,264,853                | 1,366,588         | 449,540,286               | 1,052,969,217 |
| <b>Accumulated depreciation</b>            |                     |                           |                   |                           |               |
| At 1 January 2014                          | (457,477,838)       | (40,315,428)              | (777,589)         | (391,350,211)             | (889,921,066) |
| Additions                                  | (32,103,844)        | (2,191,401)               | (100,520)         | (23,292,028)              | (57,687,793)  |
| Disposal                                   | 24,747,462          | 132,923                   | —                 | 3,252,302                 | 28,132,687    |
| Effect of changes in foreign exchange rate | 650,058             | 128,703                   | —                 | 917,159                   | 1,695,920     |
| At 31 December 2014                        | (464,184,162)       | (42,245,203)              | (878,109)         | (410,472,778)             | (917,780,252) |
| <b>Carrying amount</b>                     |                     |                           |                   |                           |               |
| At 31 December 2014                        | 91,613,328          | 4,019,650                 | 488,479           | 39,067,508                | 135,188,965   |
| At 31 December 2013                        | 81,540,337          | 5,882,518                 | 86,399            | 48,774,985                | 136,284,239   |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 22 Intangible Assets

|  | Securities<br>trading<br>seat rights | Others    | Total        |
|--|--------------------------------------|-----------|--------------|
| <b>Cost</b>                                |                                      |           |              |
| At 1 January 2015                          | 41,268,843                           | 886,715   | 42,155,558   |
| Effect of changes in foreign exchange rate | —                                    | 24,455    | 24,455       |
| At 31 December 2015                        | 41,268,843                           | 911,170   | 42,180,013   |
| <b>Accumulated amortization</b>            |                                      |           |              |
| At 1 January 2015                          | (39,085,799)                         | (428,965) | (39,514,764) |
| Additions                                  | (1,210,000)                          | (44,699)  | (1,254,699)  |
| At 31 December 2015                        | (40,295,799)                         | (473,664) | (40,769,463) |
| <b>Carrying amount</b>                     |                                      |           |              |
| At 31 December 2015                        | 973,044                              | 437,506   | 1,410,550    |
| At 31 December 2014                        | 2,183,044                            | 457,750   | 2,640,794    |
| <b>Cost</b>                                |                                      |           |              |
| At 1 January 2014                          | 41,268,843                           | 885,395   | 42,154,238   |
| Effect of changes in foreign exchange rate | —                                    | 1,320     | 1,320        |
| At 31 December 2014                        | 41,268,843                           | 886,715   | 42,155,558   |
| <b>Accumulated amortization</b>            |                                      |           |              |
| At 1 January 2014                          | (36,911,886)                         | (379,737) | (37,291,623) |
| Additions                                  | (2,173,913)                          | (49,228)  | (2,223,141)  |
| At 31 December 2014                        | (39,085,799)                         | (428,965) | (39,514,764) |
| <b>Carrying amount</b>                     |                                      |           |              |
| At 31 December 2014                        | 2,183,044                            | 457,750   | 2,640,794    |
| At 31 December 2013                        | 4,356,957                            | 505,658   | 4,862,615    |



## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 23 Interest in Associates and Joint Ventures

|                     | As at 31 December  |                    |
|---------------------|--------------------|--------------------|
|                     | 2015               | 2014               |
| Share of net assets |                    |                    |
| – Associates        | 386,124,611        | 536,464,839        |
| – Joint ventures    | 66,523,232         | 28,968,945         |
| <b>Total</b>        | <b>452,647,843</b> | <b>565,433,784</b> |

The following list contains only the particulars of material associates and joint ventures, all of which are unlisted corporate entities whose quoted market price is not available:

| Name of associate                                   | Form of business structure | Place of incorporation operation | Particulars of issued and paid up capital | Proportion of ownership Interest |                     |                      | Principal activity           |
|---|----------------------------|----------------------------------|---|----------------------------------|---------------------|----------------------|------------------------------|
|   |                            |                                  |   | Group's effective interest       | Held by the Company | Held by a subsidiary |                              |
| Zheshang Jinhui Trust Co., Ltd. ("Zheshang Jinhui") | Incorporated               | Hangzhou, PRC                    | RMB500,000,000                            | 35%                              | 35%                 | —                    | Trust business               |
| CMI Capital Limited ("CMI")                         | Incorporated               | Hong Kong                        | HKD232,050,000                            | 40%                              | —                   | 40%                  | Investment advisory business |

The summary financial information of the Group's material associates and the reconciliation between the financial information of these associates and their carrying amounts in the Group's financial statements are disclosed below:

#### (a) Zheshang Jinhui

|  | As at 31 December |             |
|--|-------------------|-------------|
|  | 2015              | 2014        |
| Financial information of the associate                   |                   |             |
| – Assets   | 886,852,396       | 826,493,823 |
| – Liabilities  | 140,975,904       | 144,678,406 |
| – Net assets   | 745,876,492       | 681,815,417 |
| – Operating income                                       | 235,721,224       | 274,632,699 |
| – Net profit   | 64,083,509        | 77,921,947  |
| Reconciled to the Group's interests in the associate:    |                   |             |
| Gross amounts of net assets of the associate             | 745,876,492       | 681,815,417 |
| Group's effective interest                               | 35%               | 35%         |
| Group's share of net assets of the associate             | 261,056,772       | 238,635,396 |
| Carrying amount in the consolidated financial statements | 261,056,772       | 238,635,396 |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 23 Interest In Associates and Joint Ventures (continued)

#### (b) CMI

|  | As at 31 December |             |
|--|-------------------|-------------|
|  | 2015              | 2014        |
| Financial information of the associate                   |                   |             |
| – Assets   | 192,141,547       | 182,859,373 |
| – Liabilities  | 289,195           | 431,163     |
| – Net assets   | 191,852,352       | 182,428,210 |
| – Operating income                                       | 247,672           | 3,250       |
| – Net loss   | (2,137,755)       | (392,413)   |
| Reconciled to the Group's interests in the associate:    |                   |             |
| Gross amounts of net assets of the associate             | 191,852,352       | 182,428,210 |
| Group's effective interest                               | 40%               | 40%         |
| Group's share of net assets of the associate             | 76,740,941        | 72,971,284  |
| Carrying amount in the consolidated financial statements | 76,740,941        | 72,971,284  |

#### (c) Aggregate information of individually immaterial associates and joint ventures:

|  | As at 31 December |             |
|--|-------------------|-------------|
|  | 2015              | 2014        |
| Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements    | 114,850,130       | 253,827,104 |
| Aggregate amounts of the Group's share of profit or loss and other comprehensive income of those associates and joint ventures |                   |             |
| – Profit for the year  | 82,062,187        | 40,658,631  |
| – Total comprehensive income   | 82,062,187        | 40,658,631  |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 24 Available-For-Sale Financial Assets

| Non-current                   | As at 31 December |             |
|-------------------------------|-------------------|-------------|
|                               | 2015              | 2014        |
| At fair value:                |                   |             |
| – Equity investments          | 581,340,923       | 388,451,021 |
| Analyzed into:                |                   |             |
| Unlisted                      | 581,340,923       | 388,451,021 |
|                               |                   |             |
| Current                       | As at 31 December |             |
|                               | 2015              | 2014        |
| At fair value                 |                   |             |
| – Equity investments          | 617,536,584       | 24,693,897  |
| – Funds and other investments | 488,582           | 20,816,763  |
| Total                         | 618,025,166       | 45,510,660  |
| Analyzed into:                |                   |             |
| Listed, outside Hong Kong     | 20,621,166        | 45,510,660  |
| Unlisted                      | 597,404,000       | —           |
| Total                         | 618,025,166       | 45,510,660  |

### 25 Refundable Deposits

| Current                                       | As at 31 December |             |
|---|-------------------|-------------|
|   | 2015              | 2014        |
| Self-owned refundable deposits                | 460,331,605       | 309,110,919 |
| Refundable deposits held on behalf of clients | 57,541,544        | 15,906,554  |
| Total   | 517,873,149       | 325,017,473 |

Refundable deposits are mainly placed at China Securities Depository and Clearing Corporation Limited, futures companies, China Securities Finance Corporation Limited, Shanghai Clearing House, Hong Kong Securities Clearing Company Nominees Limited and Hong Kong Futures Exchange Clearing Corporation Limited.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 26 Deferred Tax Assets/(Liabilities)

#### (a) Deferred tax assets and liabilities recognized

The components of deferred tax assets/(liabilities) recognized in the consolidated statement of financial position and the movement during the year are as follows:

|  | 1 January<br>2015  | Credited/<br>(charged)<br>to profit<br>or loss | Charged<br>to equity | Addition<br>from<br>acquisition of<br>a subsidiary | Exchange<br>differences<br>in translation<br>of financial<br>statements<br>of overseas<br>subsidiaries | 31 December 2015     |                        |                                |
|--|--------------------|--|----------------------|--|--|----------------------|------------------------|--------------------------------|
|  |                    |  |                      |  |  | Deferred<br>tax, net | Deferred<br>tax assets | Deferred<br>tax<br>liabilities |
| Deferred tax arising from:   |                    |  |                      |  |  |                      |                        |                                |
| Staff cost   | 455,636,756        | 194,485,730                                    | —                    | 1,770,795  | 1,453,938  | 653,347,219          | 653,347,219            | —                              |
| Deductible tax loss  | 41,787,884         | (4,035,849)                                    | —                    | —  | 2,351,901  | 40,103,936           | 40,103,936             | —                              |
| Depreciation and amortization  | 6,154,449          | (532,454)                                      | —                    | —  | 347,615  | 5,969,610            | 5,969,610              | —                              |
| Changes in fair values of financial<br>instruments at fair value through<br>profit or loss | (45,954,347)       | (43,036,512)                                   | —                    | —  | —  | (88,990,859)         | —                      | (88,990,859)                   |
| Changes in fair values of available-<br>for-sale financial assets                          | (7,720,487)        | —  | (14,787,481)         | —  | —  | (22,507,968)         | —                      | (22,507,968)                   |
| Others   | 5,459,604          | 54,808,456                                     | —                    | 121,042  | 328,158  | 60,717,260           | 61,334,991             | (617,731)                      |
| <b>Subtotal</b>  | <b>455,363,859</b> | <b>201,689,371</b>                             | <b>(14,787,481)</b>  | <b>1,891,837</b>                                   | <b>4,481,612</b>   | <b>648,639,198</b>   | <b>760,755,756</b>     | <b>(112,116,558)</b>           |
| Set off  |                    |  |                      |  |  |                      | (80,431,320)           | 80,431,320                     |
| Deferred tax assets/(liabilities)<br>on consolidated statement<br>of financial position    |                    |  |                      |  |  |                      | 680,324,436            | (31,685,238)                   |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 26 Deferred Tax Assets/(Liabilities) (continued)

#### (a) Deferred tax assets and liabilities recognized (continued)

|  | 1 January<br>2014  | Credited/<br>(charged)<br>to profit<br>or loss | Charged<br>to equity | Exchange<br>differences<br>in translation<br>of financial<br>statements<br>of overseas<br>subsidiaries | 31 December 2014     |                        |                             |
|--|--------------------|--|----------------------|--|----------------------|------------------------|-----------------------------|
|  |                    |  |                      |  | Deferred<br>tax, net | Deferred<br>tax assets | Deferred<br>tax liabilities |
| Deferred tax arising from:   |                    |  |                      |  |                      |                        |                             |
| Staff cost   | 453,351,318        | 1,688,241                                      | —                    | 597,197  | 455,636,756          | 455,636,756            | —                           |
| Deductible tax loss  | 128,048,520        | (86,439,379)                                   | —                    | 178,743  | 41,787,884           | 41,787,884             | —                           |
| Depreciation and amortization  | 6,334,712          | (198,601)                                      | —                    | 18,338   | 6,154,449            | 6,154,449              | —                           |
| Changes in fair values of financial instruments at fair value through profit or loss |                    |  |                      |  |                      |                        |                             |
|  | 35,983,859         | (81,938,206)                                   | —                    | —  | (45,954,347)         | —                      | (45,954,347)                |
| Changes in fair values of available-for-sale financial assets                        |                    |  |                      |  |                      |                        |                             |
|  | (3,676,739)        | —  | (4,043,748)          | —  | (7,720,487)          | —                      | (7,720,487)                 |
| Others   | 4,447,885          | 1,022,631                                      | —                    | (10,912)   | 5,459,604            | 28,419,008             | (22,959,404)                |
| <b>Subtotal</b>  | <b>624,489,555</b> | <b>(165,865,314)</b>                           | <b>(4,043,748)</b>   | <b>783,366</b>   | <b>455,363,859</b>   | <b>531,998,097</b>     | <b>(76,634,238)</b>         |
| Set off  |                    |  |                      |  |                      | (47,720,772)           | 47,720,772                  |
| Deferred tax assets/(liabilities) on consolidated statement of financial position    |                    |  |                      |  | 484,277,325          | (28,913,466)           |                             |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 26 Deferred Tax Assets/(Liabilities) (continued)

#### (b) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(q), the Group has not recognized deferred tax assets in respect of cumulative tax losses amounted to RMB274 million and RMB239 million at 31 December 2015 and 2014, respectively.

Deferred tax assets not recognized in respect of cumulative tax losses are mainly attributable to certain overseas subsidiaries of the Group which were set up to strengthen the Group's international franchise and cross-border service capabilities. Tax losses are recorded by these overseas subsidiaries as a result of the large amount of business expenditures in connection with their establishments and operations in previous years.

Deferred tax asset arising from unused tax losses is recognized only to the extent that an entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized by the entity, when the entity has a history of recent losses. The directors of the Company review the financial performance of these overseas subsidiaries at the end of year to determine whether there is sufficient taxable profit to be available against the unused tax losses, and they are of the opinion that it is probable that sufficient future taxable profits against which the losses can be utilized will not be available in these overseas entities in the foreseeable future, given that further expenditures of these overseas subsidiaries are considered necessary for expanding the Group's overseas operations based on its business strategies.

### 27 Other Non-Current Assets

|                 | As at 31 December |                   |
|-----------------|-------------------|-------------------|
|                 | 2015              | 2014              |
| Rental deposits | 54,289,749        | 54,118,534        |
| Others          | 5,364,800         | 3,939,759         |
| <b>Total</b>    | <b>59,654,549</b> | <b>58,058,293</b> |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 28 Accounts Receivable

#### (a) Analysed by nature:

|   | As at 31 December    |                      |
|---|----------------------|----------------------|
|   | 2015                 | 2014                 |
| Trade receivable                          | 5,071,528,802        | 7,219,375,203        |
| Underwriting and advisory fees receivable | 841,560,561          | 772,007,054          |
| Asset management fees receivable          | 261,351,438          | 162,636,256          |
| Trading seat rental fees receivable       | 137,649,542          | 79,759,881           |
| Others                                    | 380,270,140          | 127,363,421          |
| Less: provision for impairment losses     | (18,488,540)         | (25,420,751)         |
| <b>Total</b>                              | <b>6,673,871,943</b> | <b>8,335,721,064</b> |

#### (b) Analysed by aging:

|                           | As at 31 December 2015 |                |                                 |                |
|---------------------------|------------------------|----------------|---------------------------------|----------------|
|                           | Gross amount           |                | Provision for impairment losses |                |
|                           | Amount                 | %              | Amount                          | %              |
| Within 1 year (inclusive) | 6,417,571,780          | 95.89%         | —                               | —              |
| 1 - 2 years (inclusive)   | 195,734,655            | 2.92%          | (3,399,300)                     | 18.39%         |
| 2 - 3 years (inclusive)   | 60,652,516             | 0.91%          | (15,069,240)                    | 81.51%         |
| More than 3 years         | 18,401,532             | 0.28%          | (20,000)                        | 0.10%          |
| <b>Total</b>              | <b>6,692,360,483</b>   | <b>100.00%</b> | <b>(18,488,540)</b>             | <b>100.00%</b> |

|                           | As at 31 December 2014 |                |                                 |                |
|---------------------------|------------------------|----------------|---------------------------------|----------------|
|                           | Gross amount           |                | Provision for impairment losses |                |
|                           | Amount                 | %              | Amount                          | %              |
| Within 1 year (inclusive) | 8,209,482,812          | 98.19%         | —                               | —              |
| 1 - 2 years (inclusive)   | 91,911,670             | 1.10%          | (14,607,100)                    | 57.46%         |
| 2 - 3 years (inclusive)   | 33,717,743             | 0.40%          | (10,813,651)                    | 42.54%         |
| More than 3 years         | 26,029,590             | 0.31%          | —                               | —              |
| <b>Total</b>              | <b>8,361,141,815</b>   | <b>100.00%</b> | <b>(25,420,751)</b>             | <b>100.00%</b> |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 28 Accounts Receivable (continued)

#### (c) Analysis of the movement of provision for impairment losses:

|  | As at 31 December |              |
|--|-------------------|--------------|
|  | 2015              | 2014         |
| At the beginning of the year                             | (25,420,751)      | —            |
| Reversed/(provided) for the year                         | 8,081,121         | (31,619,896) |
| Write-offs for the year                                  | 13,226,813        | 6,382,263    |
| Recoveries of account receivables previously written off | (13,851,705)      | (183,118)    |
| Effect of changes in foreign exchange rate               | (524,018)         | —            |
| At the end of the year                                   | (18,488,540)      | (25,420,751) |

#### (d) Accounts receivable that is not impaired

Receivables that were neither past due nor impaired relate to a wide range of clients for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent clients that have a good track record of payments with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in the credit quality of these receivables and the balances are still considered fully recoverable.

### 29 Receivable From Margin Clients

#### (a) Analyzed by nature:

|                                       | As at 31 December |               |
|---------------------------------------|-------------------|---------------|
|                                       | 2015              | 2014          |
| Individuals                           | 2,482,904,142     | 2,772,733,577 |
| Institutions                          | 819,305,758       | 685,269,900   |
| Less: provision for impairment losses | (5,777,853)       | —             |
| Total                                 | 3,296,432,047     | 3,458,003,477 |



## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 29 Receivable From Margin Clients (continued)

#### (b) Analyzed by fair value of collaterals:

|                 | Fair value of collaterals |                |
|-----------------|---------------------------|----------------|
|                 | As at 31 December         |                |
|                 | 2015                      | 2014           |
| Stocks          | 14,051,288,840            | 10,800,280,120 |
| Cash            | 521,097,559               | 391,412,434    |
| Debt securities | 18,601,623                | 17,263,409     |
| Total           | 14,590,988,022            | 11,208,955,963 |

### 30 Financial Assets at Fair Value Through Profit or Loss

#### (a) Analyzed by type:

|                             | As at 31 December 2015  |   |                |
|-----------------------------|---|---|----------------|
|                             | Financial assets designated as at fair value through profit or loss |   | Total          |
|                             | Financial assets held for trading                                   | Financial assets held as at fair value through profit or loss |                |
| Equity investments          | 5,915,045,555   | 6,561,603,309   | 12,476,648,864 |
| Debt securities             | 20,279,792,939  | 300,000,000   | 20,579,792,939 |
| Funds and other investments | 11,648,354,424  | 754,463,441   | 12,402,817,865 |
| Total                       | 37,843,192,918  | 7,616,066,750   | 45,459,259,668 |

|                             | As at 31 December 2014  |   |                |
|-----------------------------|---|---|----------------|
|                             | Financial assets designated as at fair value through profit or loss |   | Total          |
|                             | Financial assets held for trading                                   | Financial assets held as at fair value through profit or loss |                |
| Equity investments          | 1,987,342,058   | 7,752,346,039   | 9,739,688,097  |
| Debt securities             | 10,750,613,852  | 95,000,000  | 10,845,613,852 |
| Funds and other investments | 296,683,114   | 771,740,180   | 1,068,423,294  |
| Total                       | 13,034,639,024  | 8,619,086,219   | 21,653,725,243 |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 30 Financial Assets at Fair Value Through Profit or Loss (continued)

**(b) Analyzed by listing status:**

Financial assets held for trading:

|                     | As at 31 December     |                       |
|---------------------|-----------------------|-----------------------|
|                     | 2015                  | 2014                  |
| Listed              |                       |                       |
| – In Hong Kong      | 86,748,557            | 64,299,878            |
| – Outside Hong Kong | 26,796,474,944        | 11,421,731,507        |
| Unlisted            | 10,959,969,417        | 1,548,607,639         |
| <b>Total</b>        | <b>37,843,192,918</b> | <b>13,034,639,024</b> |

Financial assets designated as at fair value through profit or loss:

|                     | As at 31 December    |                      |
|---------------------|----------------------|----------------------|
|                     | 2015                 | 2014                 |
| Listed              |                      |                      |
| – In Hong Kong      | 560,967,563          | 64,679,725           |
| – Outside Hong Kong | 5,641,568,999        | 7,687,666,314        |
| Unlisted            | 1,413,530,188        | 866,740,180          |
| <b>Total</b>        | <b>7,616,066,750</b> | <b>8,619,086,219</b> |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 31 Derivative Financial Assets/(Liabilities)

|                         | As at 31 December 2015 |                    |                        |
|-------------------------|------------------------|--------------------|------------------------|
|                         | Notional amount        | Fair value         |                        |
|                         |                        | Assets             | Liabilities            |
| Interest rate contracts | 24,449,855,650         | 304,847,442        | (150,729,764)          |
| Currency contracts      | 11,502,202,868         | 111,807,536        | (79,420,725)           |
| Equity contracts        | 19,445,891,385         | 185,668,395        | (731,288,281)          |
| Credit contracts        | 793,018,956            | 9,643,105          | (7,598,748)            |
| Other contracts         | 5,802,642,935          | 124,277,990        | (102,580,525)          |
| <b>Total</b>            | <b>61,993,611,794</b>  | <b>736,244,468</b> | <b>(1,071,618,043)</b> |
| Less: settlement        |                        | —                  | 606,115                |
| <b>Net position</b>     |                        | <b>736,244,468</b> | <b>(1,071,011,928)</b> |

|                         | As at 31 December 2014 |                    |                      |
|-------------------------|------------------------|--------------------|----------------------|
|                         | Notional amount        | Fair value         |                      |
|                         |                        | Assets             | Liabilities          |
| Interest rate contracts | 32,562,424,433         | 238,356,627        | (207,472,346)        |
| Currency contracts      | 20,282,135,137         | 126,206,220        | (147,510,409)        |
| Equity contracts        | 35,449,880,261         | 181,164,624        | (210,581,520)        |
| Credit contracts        | 2,520,129,484          | 24,103,922         | (23,151,664)         |
| Other contracts         | 10,284,163,112         | 162,976,749        | (155,440,230)        |
| <b>Total</b>            | <b>101,098,732,427</b> | <b>732,808,142</b> | <b>(744,156,169)</b> |
| Less: settlement        |                        | —                  | 6,350,474            |
| <b>Net position</b>     |                        | <b>732,808,142</b> | <b>(737,805,695)</b> |

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures, treasury futures and commodity futures in Mainland China are settled daily and the corresponding receipts and payments are reflected in "deposits with clearing houses". Accordingly, the net position of the above contracts was nil as at 31 December 2015 and 2014.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 32 Financial Assets Held Under Resale Agreements (“Reverse Repos”)

(a) Analyzed by collateral type:

|                                       | As at 31 December    |                      |
|---------------------------------------|----------------------|----------------------|
|                                       | 2015                 | 2014                 |
| Debt securities                       | 426,512,532          | 234,660,170          |
| Stocks                                | 1,135,779,989        | 1,387,188,261        |
| Less: provision for impairment losses | (5,678,900)          | —                    |
| <b>Total</b>                          | <b>1,556,613,621</b> | <b>1,621,848,431</b> |

(b) Analyzed by market:

|                         | As at 31 December    |                      |
|-------------------------|----------------------|----------------------|
|                         | 2015                 | 2014                 |
| Inter-bank market       | 150,153,796          | —                    |
| Stock exchanges         | 1,261,601,089        | 1,452,295,261        |
| Over-the-counter market | 144,858,736          | 169,553,170          |
| <b>Total</b>            | <b>1,556,613,621</b> | <b>1,621,848,431</b> |

### 33 Interest Receivable

|  | As at 31 December  |                    |
|--|--------------------|--------------------|
|  | 2015               | 2014               |
| Interest receivable from debt securities                         | 371,184,775        | 265,624,416        |
| Interest receivable from reverse REPOs                           | 19,204,648         | 53,997,583         |
| Interest receivable from margin financing and securities lending | 66,410,992         | 16,027,745         |
| Others   | 21,707,623         | 6,303,263          |
| <b>Total</b>   | <b>478,508,038</b> | <b>341,953,007</b> |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 34 Cash Held on Behalf of Brokerage Clients

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of brokerage business. The Group has classified their clients' monies as cash held on behalf of brokerage clients under the current assets of the consolidated statement of financial position and recognized the corresponding accounts payable to brokerage clients on the grounds that the Group is liable for any misappropriation of their clients' monies. In the PRC, clients' monies are restricted and governed by relevant third-party deposit regulations issued by the China Securities Regulatory Commission (the "CSRC"). In Hong Kong, clients' monies are restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

### 35 Cash and Bank Balances

|                               | As at 31 December |               |
|-------------------------------|-------------------|---------------|
|                               | 2015              | 2014          |
| Cash on hand                  | 182,032           | 294,276       |
| Deposits with banks           | 7,897,452,142     | 2,949,195,650 |
| Deposits with clearing houses | 536,451,504       | 468,852,454   |
| Total                         | 8,434,085,678     | 3,418,342,380 |

### 36 Cash and Cash Equivalents

|   | As at 31 December |               |
|---|-------------------|---------------|
|   | 2015              | 2014          |
| Cash on hand                            | 182,032           | 294,276       |
| Deposits with banks                     | 7,897,452,142     | 2,949,195,650 |
| Deposits with clearing houses           | 536,451,504       | 468,852,454   |
| Less: fixed or restricted bank deposits | (441,885,793)     | (66,559,814)  |
| Total                                   | 7,992,199,885     | 3,351,782,566 |

The fixed or restricted bank deposits mainly include bank deposits with original maturity of over three months held by the Group and the risk reserve deposits held for asset management business.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 37 Financial Liabilities at Fair Value Through Profit or Loss

|                             | As at 31 December 2015                 |  |                      |
|-----------------------------|--|--|----------------------|
|                             | Financial liabilities held for trading | Financial liabilities designated as at fair value through profit or loss | Total                |
| Equity investments          | 21,583,407                             | 5,426,566,098  | 5,448,149,505        |
| Debt securities             | 134,201,447                            | —  | 134,201,447          |
| Funds and other investments | —                                      | 1,965,210  | 1,965,210            |
| <b>Total</b>                | <b>155,784,854</b>                     | <b>5,428,531,308</b>   | <b>5,584,316,162</b> |

|                    | As at 31 December 2014                 |  |                      |
|--------------------|--|--|----------------------|
|                    | Financial liabilities held for trading | Financial liabilities designated as at fair value through profit or loss | Total                |
| Equity investments | 81,290,082                             | 7,228,287,398  | 7,309,577,480        |
| Debt securities    | 216,352,226                            | —  | 216,352,226          |
| <b>Total</b>       | <b>297,642,308</b>                     | <b>7,228,287,398</b>   | <b>7,525,929,706</b> |

### 38 Accounts Payable to Brokerage Clients

|   | As at 31 December     |                       |
|---|-----------------------|-----------------------|
|   | 2015                  | 2014                  |
| Clients' deposits for brokerage trading                       | 24,696,953,887        | 14,689,371,185        |
| Clients' deposits for margin financing and securities lending | 521,097,559           | 364,893,160           |
| <b>Total</b>  | <b>25,218,051,446</b> | <b>15,054,264,345</b> |

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and clearing houses. Accounts payable to brokerage clients are interest bearing at the prevailing interest rate.

The balance of the accounts payable includes certain margin deposits and cash collaterals received from clients for their margin financing and securities lending activities under normal course of business. Only the amounts in excess of the required amount of margin deposits and cash collaterals are repayable on demand.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 39 Placements From Financial Institutions

#### (a) Analyzed by funding source:

|   | As at 31 December |               |
|---|-------------------|---------------|
|   | 2015              | 2014          |
| Due within one year                                 |                   |               |
| – Placements from China Securities Finance Co. Ltd. | 996,000,000       | 853,000,000   |
| – Others  | 640,815,800       | 676,569,000   |
| Subtotal  | 1,636,815,800     | 1,529,569,000 |
| Due after one year                                  |                   |               |
| – Syndication loan (Note)                           | 1,623,400,000     | —             |
| Total   | 3,260,215,800     | 1,529,569,000 |

Note: China International Capital Corporation (Hong Kong) Limited (“CICC Hong Kong”) entered into a syndication loan arrangement of USD 250 million effective 17 July 2015 with a maturity date of 19 May 2018. CICC Hong Kong can determine the interest period upon its drawdown and each subsequent rollover and has an option to early repay the loan wholly or partially with a prior notice no less than 30 calendar days.

#### (b) Analyzed by residual maturity:

|                               | As at 31 December |                            |               |                        |
|-------------------------------|-------------------|----------------------------|---------------|------------------------|
|                               | 2015              |                            | 2014          |                        |
|                               | Book value        | Range of interest rate     | Book value    | Range of interest rate |
| Within 1 month (inclusive)    | 590,651,000       | 1.1% - 2.3%                | 361,021,000   | 0.0% - 5.0%            |
| 1 - 3 months (inclusive)      | 650,164,800       | 3.6% - 10.0%               | 253,000,000   | 5.0% - 10.0%           |
| 3 months - 1 year (inclusive) | 396,000,000       | 5.0%-10.0%                 | 315,548,000   | 0.0% - 5.0%            |
|                               |                   |                            | 600,000,000   | 5.0% - 10.0%           |
| 1 year - 3 years (inclusive)  | 1,623,400,000     | 1M Libor plus<br>2.5% p.a. | —             | —                      |
| Total                         | 3,260,215,800     |                            | 1,529,569,000 |                        |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 40 Short-Term Debt Securities Issued

|                              | Note | As at 31 December    |                    |
|------------------------------|------|----------------------|--------------------|
|                              |      | 2015                 | 2014               |
| Short-term commercial papers | (a)  | —                    | 800,000,000        |
| Beneficiary certificates     | (b)  | 1,700,000,000        | 100,000,000        |
| <b>Total</b>                 |      | <b>1,700,000,000</b> | <b>900,000,000</b> |

#### (a) Short-term commercial papers

| Name          | Issuance date | Maturity date | Nominal interest rate | Book value as at 1 January 2015 | Issuance             | Redemption             | Book value as at 31 December 2015 |
|---------------|---------------|---------------|-----------------------|---------------------------------|----------------------|------------------------|-----------------------------------|
| 14 CICC CP007 | 16/12/2014    | 16/03/2015    | 5.40%                 | 800,000,000                     | —                    | (800,000,000)          | —                                 |
| 15 CICC CP001 | 14/01/2015    | 14/04/2015    | 4.90%                 | —                               | 900,000,000          | (900,000,000)          | —                                 |
| 15 CICC CP002 | 19/03/2015    | 17/06/2015    | 4.90%                 | —                               | 800,000,000          | (800,000,000)          | —                                 |
| 15 CICC CP003 | 10/04/2015    | 09/07/2015    | 4.80%                 | —                               | 800,000,000          | (800,000,000)          | —                                 |
| 15 CICC CP004 | 19/06/2015    | 17/09/2015    | 3.55%                 | —                               | 800,000,000          | (800,000,000)          | —                                 |
| 15 CICC CP005 | 17/07/2015    | 15/10/2015    | 3.00%                 | —                               | 800,000,000          | (800,000,000)          | —                                 |
| <b>Total</b>  |               |               |                       | <b>800,000,000</b>              | <b>4,100,000,000</b> | <b>(4,900,000,000)</b> | <b>—</b>                          |

| Name          | Issuance date | Maturity date | Nominal interest rate | Book value as at 1 January 2014 | Issuance             | Redemption             | Book value as at 31 December 2014 |
|---------------|---------------|---------------|-----------------------|---------------------------------|----------------------|------------------------|-----------------------------------|
| 13 CICC CP003 | 25/10/2013    | 23/01/2014    | 5.20%                 | 1,000,000,000                   | —                    | (1,000,000,000)        | —                                 |
| 14 CICC CP001 | 15/01/2014    | 15/04/2014    | 6.00%                 | —                               | 1,000,000,000        | (1,000,000,000)        | —                                 |
| 14 CICC CP002 | 11/04/2014    | 10/07/2014    | 4.84%                 | —                               | 1,000,000,000        | (1,000,000,000)        | —                                 |
| 14 CICC CP003 | 25/04/2014    | 24/07/2014    | 4.65%                 | —                               | 1,000,000,000        | (1,000,000,000)        | —                                 |
| 14 CICC CP004 | 17/07/2014    | 15/10/2014    | 4.59%                 | —                               | 800,000,000          | (800,000,000)          | —                                 |
| 14 CICC CP005 | 24/07/2014    | 22/10/2014    | 4.77%                 | —                               | 700,000,000          | (700,000,000)          | —                                 |
| 14 CICC CP006 | 16/09/2014    | 15/12/2014    | 4.64%                 | —                               | 1,000,000,000        | (1,000,000,000)        | —                                 |
| 14 CICC CP007 | 16/12/2014    | 16/03/2015    | 5.40%                 | —                               | 800,000,000          | —                      | 800,000,000                       |
| <b>Total</b>  |               |               |                       | <b>1,000,000,000</b>            | <b>6,300,000,000</b> | <b>(6,500,000,000)</b> | <b>800,000,000</b>                |



## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 40 Short-Term Debt Securities Issued (continued)

#### (b) Beneficiary certificates

| Name                   | Issuance date | Maturity date | Nominal<br>interest rate  | Book value as<br>at 1 January<br>2015 | Issuance      | Redemption      | Book value as<br>at 31 December<br>2015 |
|------------------------|---------------|---------------|---------------------------|---------------------------------------|---------------|-----------------|---|
| CICC Tianxinbao No.1   | 26/12/2014    | 25/06/2015    | 5.80%                     | 50,000,000                            | —             | (50,000,000)    | —                                       |
| CICC Zhaozhaoniu No.1  | 26/12/2014    | 25/06/2015    | Floating<br>interest rate | 50,000,000                            | —             | (50,000,000)    | —                                       |
| CICC Tianxinbao No.2   | 04/02/2015    | 04/08/2015    | 5.20%                     | —                                     | 60,000,000    | (60,000,000)    | —                                       |
| CICC Tianxinbao No.3   | 27/03/2015    | 29/06/2015    | 5.50%                     | —                                     | 100,000,000   | (100,000,000)   | —                                       |
| CICC Tianxinbao No.4   | 02/04/2015    | 28/09/2015    | 5.70%                     | —                                     | 50,000,000    | (50,000,000)    | —                                       |
| CICC Tianxinbao No.5   | 03/04/2015    | 06/07/2015    | 4.30%                     | —                                     | 10,000,000    | (10,000,000)    | —                                       |
| CICC Tianxinbao No.6   | 08/04/2015    | 07/07/2015    | 5.62%                     | —                                     | 50,000,000    | (50,000,000)    | —                                       |
| CICC Tianxinbao No.7   | 30/04/2015    | 27/10/2016    | 6.10%                     | —                                     | 300,000,000   | —               | 300,000,000                             |
| CICC Tianxinbao No.8   | 08/05/2015    | 08/11/2016    | 6.20%                     | —                                     | 200,000,000   | —               | 200,000,000                             |
| CICC Tianxinbao No.9   | 24/06/2015    | 23/12/2015    | 5.70%                     | —                                     | 50,000,000    | (50,000,000)    | —                                       |
| CICC Tianxinbao No.10  | 24/06/2015    | 23/12/2015    | 5.70%                     | —                                     | 100,000,000   | (100,000,000)   | —                                       |
| CICC Tianxinbao No.11  | 26/06/2015    | 23/12/2015    | 5.80%                     | —                                     | 100,000,000   | (100,000,000)   | —                                       |
| CICC Tianxinbao No.12  | 19/06/2015    | 16/12/2015    | 5.80%                     | —                                     | 50,000,000    | (50,000,000)    | —                                       |
| CICC Tianxinbao No.13  | 26/06/2015    | 23/12/2015    | 5.80%                     | —                                     | 100,000,000   | (100,000,000)   | —                                       |
| CICC Tianxinbao No.14  | 23/12/2015    | 22/01/2016    | 3.95%                     | —                                     | 50,000,000    | —               | 50,000,000                              |
| CICC Fixed Return No.2 | 12/05/2015    | 10/08/2015    | 5.60%                     | —                                     | 200,000,000   | (200,000,000)   | —                                       |
| CICC Jinyintong No.1   | 03/04/2015    | 29/09/2015    | 6.05%                     | —                                     | 200,000,000   | (200,000,000)   | —                                       |
| CICC Jinyintong No.2   | 07/07/2015    | 21/07/2015    | 5.00%                     | —                                     | 700,000,000   | (700,000,000)   | —                                       |
| CICC Jinyintong No.3   | 21/12/2015    | 21/01/2016    | 4.00%                     | —                                     | 500,000,000   | —               | 500,000,000                             |
| CICC Jinyintong No.4   | 23/12/2015    | 23/03/2016    | 4.20%                     | —                                     | 500,000,000   | —               | 500,000,000                             |
| CICC Jinyintong No.5   | 28/12/2015    | 28/01/2016    | 4.00%                     | —                                     | 150,000,000   | —               | 150,000,000                             |
| Total                  |               |               |                           | 100,000,000                           | 3,470,000,000 | (1,870,000,000) | 1,700,000,000                           |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 40 Short-Term Debt Securities Issued (continued)

#### (b) Beneficiary certificates (continued)

| Name                  | Issuance date | Maturity date | Nominal<br>interest rate  | Book value as<br>at 1 January<br>2014 | Issuance    | Redemption | Book value as<br>at 31 December<br>2014 |
|-----------------------|---------------|---------------|---------------------------|---------------------------------------|-------------|------------|---|
| CICC Tianxinbao No.1  | 26/12/2014    | 25/06/2015    | 5.80%                     | —                                     | 50,000,000  | —          | 50,000,000                              |
| CICC Zhaozhaoniu No.1 | 26/12/2014    | 25/06/2015    | Floating<br>interest rate | —                                     | 50,000,000  | —          | 50,000,000                              |
| Total                 |               |               |                           | —                                     | 100,000,000 | —          | 100,000,000                             |

Note: The floating interest rate is calculated based on Shanghai & Shenzhen 300 index.

### 41 Financial Assets Sold Under Repurchase Agreements (“Repos”)

#### (a) Analyzed by collateral type:

|                 | As at 31 December |               |
|-----------------|-------------------|---------------|
|                 | 2015              | 2014          |
| Debt securities | 13,013,713,250    | 6,381,463,005 |
| Others          | 1,000,000,000     | 1,969,000,000 |
| Total           | 14,013,713,250    | 8,350,463,005 |

#### (b) Analyzed by market:

|                         | As at 31 December |               |
|-------------------------|-------------------|---------------|
|                         | 2015              | 2014          |
| Inter-bank market       | 8,310,657,781     | 3,901,847,826 |
| Stock exchanges         | 4,463,010,000     | 2,098,009,681 |
| Over-the-counter market | 1,240,045,469     | 2,350,605,498 |
| Total                   | 14,013,713,250    | 8,350,463,005 |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 42 Other Current Liabilities

|                   | As at 31 December     |                      |
|-------------------|-----------------------|----------------------|
|                   | 2015                  | 2014                 |
| Taxes payable     | 127,424,038           | 241,798,859          |
| Interests payable | 228,545,389           | 116,284,255          |
| Accrued expenses  | 352,570,132           | 202,190,291          |
| Trade payable     | 13,453,013,694        | 2,726,239,521        |
| Others            | 2,230,385,615         | 741,539,786          |
| <b>Total</b>      | <b>16,391,938,868</b> | <b>4,028,052,712</b> |

### 43 Long-Term Debt Securities Issued

|                      | Note | As at 31 December    |                      |
|----------------------|------|----------------------|----------------------|
|                      |      | 2015                 | 2014                 |
| Due after one year   |      |                      |                      |
| – Subordinated bonds | (a)  | 5,000,000,000        | 3,000,000,000        |
| – Notes payable      | (b)  | 1,071,444,000        | 1,009,635,000        |
| <b>Total</b>         |      | <b>6,071,444,000</b> | <b>4,009,635,000</b> |
| <b>Fair value</b>    |      | <b>6,402,662,243</b> | <b>4,019,831,342</b> |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 43 Long-Term Debt Securities Issued (continued)

#### (a) Subordinated bonds:

| Name                       | Issuance date | Maturity date | Nominal interest rate                                | Book value as at 1 January 2015 | Issuance             | Redemption | Book value as at 31 December 2015 |
|----------------------------|---------------|---------------|--|---------------------------------|----------------------|------------|-----------------------------------|
| 13 subordinated bonds (i)  | 25/07/2013    | 25/07/2019    | 1st - 3rd years<br>6%<br>4th - 6th years<br>9%       | 3,000,000,000                   | —                    | —          | 3,000,000,000                     |
| 15 subordinated bonds (ii) | 29/05/2015    | 29/05/2021    | 1st - 3rd years<br>5.25%<br>4th - 6th years<br>8.25% | —                               | 2,000,000,000        | —          | 2,000,000,000                     |
| <b>Total</b>               |               |               |  | <b>3,000,000,000</b>            | <b>2,000,000,000</b> | <b>—</b>   | <b>5,000,000,000</b>              |

| Name                      | Issuance date | Maturity date | Nominal interest rate                          | Book value as at 1 January 2014 | Issuance | Redemption | Book value as at 31 December 2014 |
|---------------------------|---------------|---------------|--|---------------------------------|----------|------------|-----------------------------------|
| 13 subordinated bonds (i) | 25/07/2013    | 25/07/2019    | 1st - 3rd years<br>6%<br>4th - 6th years<br>9% | 3,000,000,000                   | —        | —          | 3,000,000,000                     |
| <b>Total</b>              |               |               |  | <b>3,000,000,000</b>            | <b>—</b> | <b>—</b>   | <b>3,000,000,000</b>              |

(i) The Company issued subordinated bonds with a principal amount of RMB3 billion on 25 July 2013 with a maturity date of 25 July 2019. Interests of the subordinated bonds are paid annually. The Company has an option to redeem the bonds on 25 July 2016.

(ii) The Company issued subordinated bonds with a principal amount of RMB2 billion on 29 May 2015 with a maturity date of 29 May 2021. Interests of the subordinated bonds are paid annually. The Company has an option to redeem the bonds on 29 May 2018.

#### (b) Notes payable:

CICC Hong Kong issued the notes with a principal amount of US dollars (“USD”) 165 million on 28 April 2011 with a maturity date of 28 April 2021. Interests of the notes are paid semi-annually. CICC Hong Kong has an option to redeem the notes partially or wholly after 28 April 2016.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 44 Other Non-Current Liabilities

|                                  | As at 31 December |                   |
|----------------------------------|-------------------|-------------------|
|                                  | 2015              | 2014              |
| Long-term borrowings             | 10,200,000        | 10,200,000        |
| Long-term finance leases payable | 2,560,096         | 2,840,255         |
| <b>Total</b>                     | <b>12,760,096</b> | <b>13,040,255</b> |

### 45 Capital, Reserves and Dividends

#### 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 statement of changes in equity. Details of the changes in the Company's components of equity between the beginning and the end of the years are set out below:

|  | Share capital/paid-in capital<br>(Note (i)) | Other equity instruments<br>(Note 46) | Reserves                       |                                |                                |   | Retained profits | Total          |
|--|---|---------------------------------------|--------------------------------|--------------------------------|--------------------------------|---|------------------|----------------|
|  |   |                                       | Capital reserve<br>(Note (ii)) | Surplus reserve<br>(Note (ii)) | General reserve<br>(Note (ii)) | Investment revaluation reserve<br>(Note (ii)) |                  |                |
| At 1 January 2015  | 1,667,473,000                               | —                                     | 2,296,343,756                  | 473,400,427                    | 1,118,968,691                  | 2,641,374                                     | 2,542,038,465    | 8,100,865,713  |
| Profit for the year                                      | —   | —                                     | —                              | —                              | —                              | —   | 1,528,456,576    | 1,528,456,576  |
| Other comprehensive income for the year                  | —   | —                                     | —                              | —                              | —                              | 26,219  | —                | 26,219         |
| Total comprehensive income for the year                  | —   | —                                     | —                              | —                              | —                              | 26,219  | 1,528,456,576    | 1,528,482,795  |
| Appropriation to surplus reserve                         | —   | —                                     | —                              | 152,845,657                    | —                              | —   | (152,845,657)    | —              |
| Appropriation to general reserve                         | —   | —                                     | —                              | —                              | 305,691,316                    | —   | (305,691,316)    | —              |
| Issuance of perpetual subordinated bonds                 | —   | 1,000,000,000                         | —                              | —                              | —                              | —   | —                | 1,000,000,000  |
| Issuance of H shares                                     | 639,196,000                                 | —                                     | 4,613,243,891                  | —                              | —                              | —   | —                | 5,252,439,891  |
| Conversion to joint stock company with limited liability | —   | —                                     | 3,020,721,641                  | (473,400,427)                  | —                              | (2,641,374)                                   | (2,544,679,840)  | —              |
| Other  | —   | —                                     | (2,641,374)                    | —                              | —                              | —   | —                | (2,641,374)    |
| At 31 December 2015                                      | 2,306,669,000                               | 1,000,000,000                         | 9,927,667,914                  | 152,845,657                    | 1,424,660,007                  | 26,219  | 1,067,278,228    | 15,879,147,025 |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 45 Capital, Reserves and Dividends (continued)

#### Movement in components of equity (continued)

|   | Share<br>capital/paid-in<br>capital<br>(Note (i)) | Reserves                          |                                   |                                    |   | Retained<br>profits | Total         |
|---|---|-----------------------------------|-----------------------------------|------------------------------------|---|---------------------|---------------|
|   |   | Capital<br>reserve<br>(Note (ii)) | Surplus<br>reserve<br>(Note (ii)) | General<br>reserves<br>(Note (ii)) | Investment<br>revaluation<br>reserve<br>(Note (ii)) |                     |               |
| At 1 January 2014                       | 1,667,473,000                                     | 1,448,741                         | 412,316,113                       | 996,800,063                        | (389,945)   | 2,114,448,270       | 5,192,096,242 |
| Profit for the year                     | —   | —                                 | —                                 | —                                  | —   | 610,843,137         | 610,843,137   |
| Other comprehensive income for the year | —   | —                                 | —                                 | —                                  | 3,031,319   | —                   | 3,031,319     |
| Total comprehensive income for the year | —   | —                                 | —                                 | —                                  | 3,031,319   | 610,843,137         | 613,874,456   |
| Appropriation to surplus reserve        | —   | —                                 | 61,084,314                        | —                                  | —   | (61,084,314)        | —             |
| Appropriation to general reserve        | —   | —                                 | —                                 | 122,168,628                        | —   | (122,168,628)       | —             |
| Surplus on valuation                    | —   | 2,294,895,015                     | —                                 | —                                  | —   | —                   | 2,294,895,015 |
| At 31 December 2014                     | 1,667,473,000                                     | 2,296,343,756                     | 473,400,427                       | 1,118,968,691                      | 2,641,374   | 2,542,038,465       | 8,100,865,713 |

#### (i) Share capital/paid-in capital

Pursuant to a conversion completed on 1 June 2015, the Company was converted into a joint stock company with limited liability. After the conversion, the Company issued 1,667,473,000 ordinary shares with par value of RMB1 each.

On 9 November 2015, the Company issued 555,824,000 H-share with a par value of RMB1 at an offering price of HKD10.28 per share. On 18 November 2015, the Company exercised the over-allotment option and issued 83,372,000 H shares with a par value of RMB1 at an offering price of HKD10.28 per share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 45 Capital, Reserves and Dividends (continued)

#### (ii) Reserves

##### (1) Capital reserve

##### The Group

|                   | As at 31 December    |                   |
|-------------------|----------------------|-------------------|
|                   | 2015                 | 2014              |
| Share premium (a) | 7,680,642,418        | —                 |
| Others (b)        | 25,025,907           | 26,474,648        |
| <b>Total</b>      | <b>7,705,668,325</b> | <b>26,474,648</b> |

##### The Company

|                   | As at 31 December    |                      |
|-------------------|----------------------|----------------------|
|                   | 2015                 | 2014                 |
| Share premium (a) | 9,927,667,914        | 2,294,895,015        |
| Others (b)        | —                    | 1,448,741            |
| <b>Total</b>      | <b>9,927,667,914</b> | <b>2,296,343,756</b> |

- (a) As required by the relevant PRC rules and regulations with respect to the conversion to a joint stock company with limited liability, the Company has transferred its retained profits, surplus reserve and investment revaluation reserve as at 31 December 2014 into its capital reserve as share premium.

The property and equipment, intangible assets and investment in subsidiaries of the Company were restated at their revalued amounts or deemed costs on 31 December 2014, resulting in a surplus on revaluation of RMB2,294,895,015 being credited to capital reserve. The above valuation surplus is reversed in the Group's consolidated financial statements.

The premium arising from the Company's H-share offering (see Note 45(i)) was recorded in capital reserve.

- (b) Others mainly represent the difference arising from the redemption of preference shares by CICC Hong Kong in 1998.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 45 Capital, Reserves and Dividends (continued)

#### (ii) Reserves (continued)

##### (2) *Surplus reserve*

The surplus reserve represents statutory surplus reserve. The Company is required to appropriate 10% of its net profit as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance of the PRC (the “MOF”) after offsetting prior year’s accumulated loss, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to the approval of the equity holders/shareholders, the statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Company provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital immediately before the capitalization.

##### (3) *General reserves*

General reserves include general risk reserve and trading risk reserve.

In accordance with the Financial Rules for Financial Enterprises (Order of the MOF No. 42) and the application guidance (Caijin [2007] No. 23) issued by the MOF, and the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the general risk reserve.

In accordance with the Guideline of Supervision of Annual Report of Securities Companies issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit to the trading risk reserve.

##### (4) *Investment revaluation reserve*

The investment revaluation reserve comprises the cumulative net changes in fair values of available-for-sale financial assets held at the end of year.

##### (5) *Foreign currency translation reserve*

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the Group entities from their respective reporting currencies to RMB.

#### (iii) Dividends

The Company has not distributed any dividends to the shareholders/equity holders during the year.



## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 46 Other Equity Instruments

The Company issued its 2015 perpetual subordinated bonds with a principal amount of RMB1 billion on 29 May 2015. The interest rate of the perpetual subordinated bonds resets every 5 years thereafter based on a benchmark rate and a predetermined spread.

The Company does not have any contractual obligation to deliver cash or other financial assets to redeem the perpetual subordinated bonds. The redemption of the perpetual subordinated bonds is solely at the discretion of the Company.

### 47 Commitments

#### (a) Capital commitments

Capital commitments outstanding at 31 December 2015 and 2014 not provided for in the financial statements were as follows:

|                                  | As at 31 December |             |
|----------------------------------|-------------------|-------------|
|                                  | 2015              | 2014        |
| Contracted, but not provided for | 158,806,837       | 220,115,472 |

#### (b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

|                           | As at 31 December |             |
|---------------------------|-------------------|-------------|
|                           | 2015              | 2014        |
| Within 1 year (inclusive) | 215,715,886       | 196,695,912 |
| 1 - 2 years (inclusive)   | 202,178,532       | 155,787,759 |
| 2 - 3 years (inclusive)   | 187,815,098       | 86,724,947  |
| More than 3 years         | 350,638,130       | 140,214,792 |
| Total                     | 956,347,646       | 579,423,410 |

#### (c) Underwriting commitments

There was no underwriting commitments taken but not provided for by the Group as at 31 December 2015 (31 December 2014: RMB3 billion).

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 48 Interests in Structured Entities

#### (a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group are certain asset management products where the Group is involved as both manager and investor. The Group assesses whether the combination of its investments in these products and its remuneration generated from the investments creates an exposure to the variability of returns from the activities of these asset management products to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2015 and 2014 the total assets of the consolidated asset management products are RMB7,297,392,170 and RMB652,964,507 respectively, and the carrying amount of interests held by the Group in the consolidated asset management products are RMB1,316,799,412 and RMB84,141,793 respectively, which are accounted for as financial assets at fair value through profit or loss.

#### (b) Interests in structured entities sponsored by third party institutions

The types of structured entities that the Group does not consolidate but holds an interest in include wealth management products, asset management schemes, mutual funds, trust products, and other vehicles issued by 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 issuing units to investors.

|   | As at 31 December |             |
|---|-------------------|-------------|
|   | 2015              | 2014        |
| Carrying amount of interests held by the Group          |                   |             |
| – Financial assets at fair value through profit or loss | 4,172,418,061     | 365,005,617 |
| – Available-for-sale financial assets                   | 500,000,000       | —           |

The Group's exposure to the variable returns in these structured entities is not significant from the perspective of the structured entities and the maximum exposure to loss is limited to the carrying amount of the interests held by the Group.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 48 Interests in Structured Entities (continued)

#### (c) Interests in structured entities sponsored by the Group but not consolidated

Structured entities for which the Group serves as general partner or manager, therefore has power over them during the years include private equity funds, mutual funds, trust products and asset management products. These structured entities are mainly financed through issuing units to investors.

|   | As at 31 December |             |
|---|-------------------|-------------|
|   | 2015              | 2014        |
| Carrying amount of interests held by the Group          |                   |             |
| – Financial assets at fair value through profit or loss | 3,744,860,220     | 240,045,810 |
| – Available-for-sale financial assets                   | 517,927,380       | 352,162,337 |
| – Accounts receivable                                   | 396,874,795       | 200,879,998 |

For the year ended 31 December 2015 and 2014, the Group obtained management fee and performance fee amounting to RMB908,934,486 and RMB521,216,448 respectively from these structured entities.

Except for those which have been consolidated by the Group as set out in Note 48(a), the Group's exposure to the variable returns in the rest of these structured entities is not significant. The maximum exposure to loss is limited to the carrying amount of the interests held by the Group.

During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support in the future.

### 49 Contingencies

The Group has no outstanding litigation which would have a material impact on its financial position as at 31 December 2015 and 2014.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 50 Related Party Relationships and Transactions

#### (a) Related party transactions with key management personnel

The key management personnel are those who have the authority and responsibility to plan, direct and control directly or indirectly, the activities of the Group, including members of the Board of Directors and the supervisory board, and other senior executives.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 13, is as follows:

|   | Year ended 31 December |                   |
|---|------------------------|-------------------|
|   | 2015                   | 2014              |
| Salaries, allowances and benefits in kind | 21,232,891             | 11,282,395        |
| Discretionary bonuses                     | 111,817,522            | 34,625,047        |
| Retirement scheme contributions           | 413,373                | 185,047           |
| <b>Total</b>                              | <b>133,463,786</b>     | <b>46,092,489</b> |

Total remuneration of key management personnel is included in "staff costs" (see Note 12).

#### (b) Related party transactions with major shareholders/equity holders

(i) *Related party transactions with major shareholders/equity holders and their related parties*

|  | Year ended 31 December |              |
|--|------------------------|--------------|
|  | 2015                   | 2014         |
| Brokerage commission income  | 12,299,413             | 37,264,682   |
| Brokerage expenses   | (2,087,529)            | —            |
| Underwriting and sponsoring fees                                     | 104,176,746            | 75,752,671   |
| Interest income  | 182,756,025            | 70,598,502   |
| Asset management fees  | 80,530,045             | 60,826,993   |
| Net gains from financial assets at fair value through profit or loss | 37,213,168             | 106,229,693  |
| Interest expenses  | (44,706,753)           | (33,203,044) |
| Option fees  | —                      | (13,848,555) |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 50 Related Party Relationships and Transactions (continued)

#### (b) Related party transactions with major shareholders/equity holders (continued)

(ii) *The balances of transactions with major shareholders/equity holders and their related parties*

|   | As at 31 December |                 |
|---|-------------------|-----------------|
|   | 2015              | 2014            |
| Subordinated bonds                                    | (540,000,000)     | (340,000,000)   |
| Interest payable                                      | (15,160,499)      | (8,942,466)     |
| Cash and bank balances (Note)                         | 9,039,480,902     | 4,345,104,062   |
| Refundable deposits                                   | —                 | 4,510,548       |
| Financial assets at fair value through profit or loss | 374,258,713       | 802,744,202     |
| REPOs   | (1,020,255,279)   | (1,209,800,000) |
| Accounts payable to brokerage clients                 | (6,749)           | (7,381,625)     |
| Accounts receivable                                   | —                 | 1,853,537       |
| Entrusted funds                                       | 12,646,092,578    | 12,294,536,177  |

Note: The cash and bank balances deposited with major shareholders/equity holders and their related parties includes self-owned cash and bank balances and cash held on behalf of brokerage clients.

(iii) In February 27, 2014, the Company entered into agreements with China Jianyin Investment Ltd. (“Jianyin Investment”) to acquire the entire equity interest of Fortune Futures Co., Ltd. (“Fortune Futures”) for a consideration of RMB247,653,726, equalling to its fair value of net assets at 31 December 2012 which was valued by a qualified appraiser and its accumulated profit and other comprehensive income of Fortune Futures from 1 January 2013 to the date of acquisition (see Note 56(5) for details). Fortune Futures was renamed as CICC Futures Co., Ltd. (“CICC Futures”) after the acquisition.

#### (c) Related party transactions with the Group’s associates and joint ventures

(i) Details of the Group’s associates and joint ventures are disclosed in Note 23.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 50 Related Party Relationships and Transactions (continued)

#### (c) Related party transactions with the Group's associates and joint ventures (continued)

##### (ii) Related party transactions with associates and joint ventures and their related parties

|                             | Year ended 31 December |           |
|-----------------------------|------------------------|-----------|
|                             | 2015                   | 2014      |
| Brokerage commission income | 2,150,411              | —         |
| Asset management fees       | 8                      | 1,712,792 |
| Investment advisory fees    | 3,923,597              | 2,002,069 |
| Interest income             | 28,849                 | —         |

##### (iii) The balances of transactions with associates and joint ventures and their related parties

|                     | As at 31 December |           |
|---------------------|-------------------|-----------|
|                     | 2015              | 2014      |
| Accounts receivable | 6,196,689         | 4,069,959 |

#### (d) Applicability of the Listing Rules relating to connected transactions

The related party transactions above do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Directors' Report.

#### (e) Directors' and supervisors' interests in contracts and service contracts

At any time during the year, none of the Group's directors or supervisors had any interest, whether directly or indirectly, in any contract (excluding service contracts) of significance in relation to the Company's business to which the Company, or its associated companies, is a party. None of the directors and supervisors have entered into a service contract with the Company that cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 51 Segment Reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organization, management requirements and internal reporting system. An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Group's management for the purposes of resources allocation and performance evaluation; and
- for which financial statements regarding financial position, results of operations and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics in respect of:

- the nature of services;
- the type or class of customers for the services;
- the methods used to provide the services; and
- the nature of the regulatory environment.

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from the other operating segments. A summary of the operating segments is as follows:

- the Investment Banking segment provides investment banking services, including equity financing, debt and structured financing and financial advisory services as well as the National Equities Exchange and Quotations (“NEEQ”) services, to clients in the PRC and overseas.
- the Equity Sales and Trading segment provides a wide range of equity sales and trading services, including brokerage services and capital-based intermediary services, to institutional investors, including financial institutions, corporations and governmental entities.
- the Fixed-income, Currency and Commodity (“FICC”) segment engages in trading of financial products, including fixed-income, equities, currencies and commodities products, using the Group's own capital, as well as for clients facilitation purposes. It also provides product structuring, fixed income distribution and futures brokerage services.
- the Wealth Management segment provides a wide range of wealth management products and services, consisting of advisory services, transactional services, capital-based intermediary services and product services, to high-net-worth individuals, family offices and corporate clients.
- the Investment Management segment designs and provides a wide range of asset management products and services for domestic and overseas investors. It also manages mutual funds, private equity funds as well as funds of funds.
- the Others segment mainly comprises of other business departments and back offices.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 51 Segment Reporting (continued)

#### (a) Segment results

|  | Year ended 31 December 2015 |                             |               |                      |                          |                 |                 |
|--|-----------------------------|-----------------------------|---------------|----------------------|--------------------------|-----------------|-----------------|
|  | Investment<br>Banking       | Equity Sales<br>and Trading | FICC          | Wealth<br>Management | Investment<br>Management | Others          | Total           |
| Segment revenue                                      |                             |                             |               |                      |                          |                 |                 |
| – Fee and commission income                          | 2,317,592,012               | 2,125,533,360               | 130,057,292   | 1,049,611,653        | 964,867,725              | 153,983         | 6,587,816,025   |
| – Interest income                                    | 2,468,389                   | 290,124,617                 | 40,454,101    | 542,009,019          | 10,180,711               | 135,263,157     | 1,020,499,994   |
| – Investment income                                  | 11,252,742                  | 218,972,964                 | 1,428,268,921 | 90,725,619           | 97,925,732               | 6,190,161       | 1,853,336,139   |
| – Other income                                       | 369,795                     | 4,052,849                   | 8,231,700     | 14,455,293           | 10,136,672               | 7,786,168       | 45,032,477      |
| Segment revenue and other income                     | 2,331,682,938               | 2,638,683,790               | 1,607,012,014 | 1,696,801,584        | 1,083,110,840            | 149,393,469     | 9,506,684,635   |
| Segment expenses                                     | (1,335,360,321)             | (1,108,491,419)             | (754,910,295) | (1,081,692,254)      | (723,384,655)            | (1,985,933,655) | (6,989,772,599) |
| Segment operating profit/(loss)                      | 996,322,617                 | 1,530,192,371               | 852,101,719   | 615,109,330          | 359,726,185              | (1,836,540,186) | 2,516,912,036   |
| Share of profits of associates and<br>joint ventures | —                           | —                           | —             | —                    | 82,062,186               | 21,603,178      | 103,665,364     |
| Profit/(loss) before<br>income tax                   | 996,322,617                 | 1,530,192,371               | 852,101,719   | 615,109,330          | 441,788,371              | (1,814,937,008) | 2,620,577,400   |
| Interest expenses (Note)                             | (12,687,837)                | (222,770,549)               | (417,205,697) | (328,956,689)        | (59,723,415)             | (53,437,178)    | (1,094,781,365) |
| Depreciation and<br>amortization expenses            | (781,139)                   | (5,930,669)                 | (2,542,188)   | (13,687,608)         | (6,148,367)              | (21,991,308)    | (51,081,279)    |
| Reversal/(provision)<br>for impairment losses        | 10,567,627                  | (1,994,829)                 | (40,388)      | (9,461,924)          | (2,446,118)              | —               | (3,375,632)     |



## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 51 Segment Reporting (continued)

#### (a) Segment results (continued)

|  | Year ended 31 December 2014 |                             |               |                      |                          |                 |                 |
|--|-----------------------------|-----------------------------|---------------|----------------------|--------------------------|-----------------|-----------------|
|  | Investment<br>Banking       | Equity Sales<br>and Trading | FICC          | Wealth<br>Management | Investment<br>Management | Others          | Total           |
| Segment revenue                                      |                             |                             |               |                      |                          |                 |                 |
| – Fee and commission income                          | 1,650,038,177               | 1,289,878,963               | 71,926,343    | 564,217,436          | 575,325,563              | 500,291         | 4,151,886,773   |
| – Interest income                                    | 18,224,566                  | 128,954,793                 | 22,613,105    | 239,332,667          | 5,780,119                | 34,902,895      | 449,808,145     |
| – Investment income                                  | 14,391,223                  | 243,108,537                 | 1,201,388,061 | 33,765,107           | 27,332,654               | 6,783,665       | 1,526,769,247   |
| – Other income                                       | 243,343                     | 1,023,318                   | 150           | 3,947,594            | 2,404,897                | 19,707,877      | 27,327,179      |
| Segment revenue and other income                     | 1,682,897,309               | 1,662,965,611               | 1,295,927,659 | 841,262,804          | 610,843,233              | 61,894,728      | 6,155,791,344   |
| Segment expenses                                     | (1,127,965,951)             | (749,763,484)               | (710,049,995) | (592,815,847)        | (514,511,077)            | (1,022,601,882) | (4,717,708,236) |
| Segment operating profit/(loss)                      | 554,931,358                 | 913,202,127                 | 585,877,664   | 248,446,957          | 96,332,156               | (960,707,154)   | 1,438,083,108   |
| Share of profits of associates and<br>joint ventures | —                           | —                           | —             | —                    | 40,658,630               | 27,114,982      | 67,773,612      |
| Profit/(loss) before income tax                      | 554,931,358                 | 913,202,127                 | 585,877,664   | 248,446,957          | 136,990,786              | (933,592,172)   | 1,505,856,720   |
| Interest expenses (Note)                             | (10,253,039)                | (158,827,495)               | (445,747,729) | (153,763,817)        | (55,641,091)             | 82,151,386      | (742,081,785)   |
| Depreciation and<br>amortization expenses            | (781,951)                   | (9,031,312)                 | (749,915)     | (12,725,762)         | (4,170,174)              | (32,451,820)    | (59,910,934)    |
| (Provision) /reversal<br>for impairment losses       | (29,652,265)                | (91,273)                    | 183,118       | (671,278)            | (1,388,198)              | —               | (31,619,896)    |

Note: The Group calculates internal interest expenses for the reportable segments according to the capital used during the year for the purpose of measuring segment operating performance and improving the efficiencies of capital management.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 51 Segment Reporting (continued)

#### (b) Geographical information

The following table sets out the Group's operating income from external clients and the Group's non-current assets (excluding financial instruments, deferred tax assets, same as below) in terms of geographical locations. The geographical locations of the operating income from external clients are identified based on the locations of the clients to whom the services are rendered. The geographical locations of the non-current assets are identified based on the locations where the fixed assets are located or the intangible assets are allocated or the associates and joint ventures operate.

|                | Revenues and other income<br>from external customers<br>Year ended 31 December |                      |
|----------------|--|----------------------|
|                | 2015   | 2014                 |
| Mainland China | 7,747,449,789  | 4,437,812,602        |
| Overseas       | 1,759,234,846  | 1,717,978,742        |
| <b>Total</b>   | <b>9,506,684,635</b>   | <b>6,155,791,344</b> |

|                | Non-current assets<br>As at 31 December |                      |
|----------------|---|----------------------|
|                | 2015                                    | 2014                 |
| Mainland China | 1,003,955,079                           | 905,149,887          |
| Overseas       | 193,999,933                             | 181,189,422          |
| <b>Total</b>   | <b>1,197,955,012</b>                    | <b>1,086,339,309</b> |

Reconciliation of segment non-current assets:

|   | Non-current assets<br>As at 31 December |                      |
|---|---|----------------------|
|   | 2015                                    | 2014                 |
| Total non-current assets for segments           | 2,928,070,738                           | 1,788,781,309        |
| Elimination of inter-segment non-current assets | (1,730,115,726)                         | (702,442,000)        |
| <b>Total</b>                                    | <b>1,197,955,012</b>                    | <b>1,086,339,309</b> |

#### (c) Major clients

The Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue for the year.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 52 Fair Value Information

The Group adopts the following methods and assumptions when evaluating fair values:

- (i) Financial assets including cash and bank balances, cash held on behalf of brokerage clients, reverse REPOs and financial liabilities including short-term placements from financial institutions and REPOs, are mainly instruments with floating interest rates or short-term financing. Accordingly, their carrying amounts approximate the fair values.
- (ii) Financial assets at fair value through profit or loss, derivatives and available-for-sale financial assets are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active 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 flows or other valuation techniques.
- (iii) The fair values of short-term and long-term debt securities 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 similar credit risk and maturity, to estimate the fair values using discounted cash flows or other valuation techniques. The fair values of long-term debt securities issued are disclosed in Note 43. The carrying amounts of long-term placement from financial institutions and short-term debt securities issued approximate to their fair values.
- (iv) Accounts receivable and accounts payable to brokerage clients are due mainly within one year. Accordingly, the carrying amounts approximate the fair values.

#### (a) Financial assets and liabilities measured at fair value

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level I valuations: Fair value measured using only Level I inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level II valuations: Fair value measured using Level II inputs i.e. observable inputs which fail to meet Level I, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level III valuations: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 52 Fair Value Information (continued)

#### (a) Financial assets and liabilities measured at fair value (continued)

The table below analyzes 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 categorized:

|  | As at 31 December 2015 |                        |                      | Total                  |
|--|------------------------|------------------------|----------------------|------------------------|
|  | Level I                | Level II               | Level III            |                        |
| <b>Assets</b>                          |                        |                        |                      |                        |
| Financial assets at fair value         |                        |                        |                      |                        |
| through profit or loss                 |                        |                        |                      |                        |
| Financial assets held for trading      |                        |                        |                      |                        |
| – Equity investments                   | 2,520,861,785          | 3,394,183,770          | —                    | 5,915,045,555          |
| – Debt securities                      | 4,933,179,067          | 15,346,613,872         | —                    | 20,279,792,939         |
| – Funds and other investments          | 4,268,714,082          | 7,379,640,342          | —                    | 11,648,354,424         |
| Financial assets designated as         |                        |                        |                      |                        |
| at fair value through profit or loss   |                        |                        |                      |                        |
| – Equity investments                   | 6,058,517,273          | 503,086,036            | —                    | 6,561,603,309          |
| – Debt securities                      | —                      | —                      | 300,000,000          | 300,000,000            |
| – Funds and other investments          | 12,896,243             | 649,086,470            | 92,480,728           | 754,463,441            |
| Derivative financial assets            | 4,452,372              | 731,792,096            | —                    | 736,244,468            |
| Available-for-sale financial assets    |                        |                        |                      |                        |
| – Equity investments                   | 20,132,584             | —                      | 1,178,744,923        | 1,198,877,507          |
| – Funds and other investments          | 488,582                | —                      | —                    | 488,582                |
| <b>Total</b>                           | <b>17,819,241,988</b>  | <b>28,004,402,586</b>  | <b>1,571,225,651</b> | <b>47,394,870,225</b>  |
| <b>Liabilities</b>                     |                        |                        |                      |                        |
| Financial liabilities at fair value    |                        |                        |                      |                        |
| through profit or loss                 |                        |                        |                      |                        |
| Financial liabilities held for trading |                        |                        |                      |                        |
| – Equity investments                   | (21,583,407)           | —                      | —                    | (21,583,407)           |
| – Debt securities                      | —                      | (134,201,447)          | —                    | (134,201,447)          |
| Financial liabilities designated as    |                        |                        |                      |                        |
| at fair value through profit or loss   |                        |                        |                      |                        |
| – Equity investments                   | —                      | (5,426,566,098)        | —                    | (5,426,566,098)        |
| – Funds and other investments          | (1,965,210)            | —                      | —                    | (1,965,210)            |
| Derivatives financial liabilities      | (1,668,050)            | (1,054,245,119)        | (15,098,759)         | (1,071,011,928)        |
| <b>Total</b>                           | <b>(25,216,667)</b>    | <b>(6,615,012,664)</b> | <b>(15,098,759)</b>  | <b>(6,655,328,090)</b> |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 52 Fair Value Information (continued)

#### (a) Financial assets and liabilities measured at fair value (continued)

|  | As at 31 December 2014 |                        |                     | Total                  |
|--|------------------------|------------------------|---------------------|------------------------|
|  | Level I                | Level II               | Level III           |                        |
| <b>Assets</b>                          |                        |                        |                     |                        |
| Financial assets at fair value         |                        |                        |                     |                        |
| through profit or loss                 |                        |                        |                     |                        |
| Financial assets held for trading      |                        |                        |                     |                        |
| – Equity investments                   | 1,987,342,058          | —                      | —                   | 1,987,342,058          |
| – Debt securities                      | 2,491,456,286          | 8,259,157,566          | —                   | 10,750,613,852         |
| – Funds and other investments          | 36,098,778             | 260,584,336            | —                   | 296,683,114            |
| Financial assets designated as         |                        |                        |                     |                        |
| at fair value through profit or loss   |                        |                        |                     |                        |
| – Equity investments                   | 7,752,346,039          | —                      | —                   | 7,752,346,039          |
| – Debt securities                      | —                      | 95,000,000             | —                   | 95,000,000             |
| – Funds and other investments          | —                      | 650,128,342            | 121,611,838         | 771,740,180            |
| Derivative financial assets            | 24,151,641             | 708,656,501            | —                   | 732,808,142            |
| Available-for-sale financial assets    |                        |                        |                     |                        |
| – Equity investments                   | 24,693,897             | —                      | 388,451,021         | 413,144,918            |
| – Funds and other investments          | 20,816,763             | —                      | —                   | 20,816,763             |
| <b>Total</b>                           | <b>12,336,905,462</b>  | <b>9,973,526,745</b>   | <b>510,062,859</b>  | <b>22,820,495,066</b>  |
| <b>Liabilities</b>                     |                        |                        |                     |                        |
| Financial liabilities at fair value    |                        |                        |                     |                        |
| through profit or loss                 |                        |                        |                     |                        |
| Financial liabilities held for trading |                        |                        |                     |                        |
| – Equity investments                   | (81,290,082)           | —                      | —                   | (81,290,082)           |
| – Debt securities                      | —                      | (216,352,226)          | —                   | (216,352,226)          |
| Financial liabilities designated as    |                        |                        |                     |                        |
| at fair value through profit or loss   |                        |                        |                     |                        |
| – Equity investments                   | —                      | (7,228,287,398)        | —                   | (7,228,287,398)        |
| Derivatives financial liabilities      | (24,130,839)           | (682,364,416)          | (31,310,440)        | (737,805,695)          |
| <b>Total</b>                           | <b>(105,420,921)</b>   | <b>(8,127,004,040)</b> | <b>(31,310,440)</b> | <b>(8,263,735,401)</b> |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 52 Fair Value Information (continued)

#### (a) Financial assets and liabilities measured at fair value (continued)

(i) At 31 December 2015, investment in certain suspended stocks which were classified as financial assets held for trading and financial assets designated as at fair value through profit or loss of the Group with the carrying amount of RMB372,286,560 were transferred from Level I to Level II as the quoted prices of these stocks were no longer regularly available. For the years ended 31 December 2015 and 2014, there were no other significant transfer between Level I and Level II of the fair value hierarchy.

(ii) Information about Level III fair value measurements

As at 31 December 2015 and 2014, it is estimated that the sensitivity of the Group's profit or loss and other comprehensive income to the fluctuation of parameters used in Level III fair value measurements is not significant.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

|   | Financial<br>assets at<br>fair value<br>through<br>profit or loss | Available-<br>for-sale<br>financial<br>assets | Derivatives<br>financial<br>liabilities | Total         |
|---|---|---|---|---------------|
| As at 1 January 2015  | 121,611,838   | 388,451,021                                   | (31,310,440)                            | 478,752,419   |
| Gains or losses for the year  | (9,826,838)   | 105,317,740                                   | (56,034,732)                            | 39,456,170    |
| Changes in fair value recognized<br>in other comprehensive income   | —   | (34,087,893)                                  | —                                       | (34,087,893)  |
| Purchases   | 300,695,728   | 719,064,055                                   | —                                       | 1,019,759,783 |
| Sales and settlements   | (20,000,000)  | —   | 72,246,413                              | 52,246,413    |
| Transfer into Level III   | —   | —   | —                                       | —             |
| Transfer out of Level III   | —   | —   | —                                       | —             |
| As at 31 December 2015  | 392,480,728   | 1,178,744,923                                 | (15,098,759)                            | 1,556,126,892 |
| Total gains or losses for<br>the year included in profit or<br>loss for assets held at<br>the end of the year | (2,980,838)   | 105,317,740                                   | (56,034,732)                            | 46,302,170    |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 52 Fair Value Information (continued)

#### (a) Financial assets and liabilities measured at fair value (continued)

##### (ii) Information about Level III fair value measurements (continued)

|   | Financial<br>assets at<br>fair value<br>through<br>profit or loss | Available-<br>for-sale<br>financial<br>assets | Derivatives<br>financial<br>liabilities | Total        |
|---|---|---|---|--------------|
| As at 1 January 2014  | 165,095,364   | 304,210,707                                   | —                                       | 469,306,071  |
| Gains or losses for the year  | 6,184,974   | 4,729,728                                     | (31,310,440)                            | (20,395,738) |
| Changes in fair value recognized<br>in other comprehensive income   | —   | 1,615,057                                     | —                                       | 1,615,057    |
| Purchases   | 331,500   | 77,895,529                                    | —                                       | 78,227,029   |
| Sales and settlements   | (50,000,000)  | —   | —                                       | (50,000,000) |
| Transfer into Level III   | —   | —   | —                                       | —            |
| Transfer out of Level III   | —   | —   | —                                       | —            |
| As at 31 December 2014  | 121,611,838   | 388,451,021                                   | (31,310,440)                            | 478,752,419  |
| Total gains or losses for<br>the year included in profit or<br>loss for assets held at<br>the end of the year | 6,754,835   | 4,729,728                                     | (31,310,440)                            | (19,825,877) |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 52 Fair Value Information (continued)

#### (a) Financial assets and liabilities measured at fair value (continued)

##### (ii) Information about Level III fair value measurements (continued)

For financial instruments in Level III, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

| Financial assets            | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s)  | Relationship of unobservable input(s) to fair value                  |
|-----------------------------|----------------------|---|------------------------------------|--|
| Funds and other investments | Level III            | Allocated net assets value              | Net asset value                    | The higher the allocated net assets value, the higher the fair value |
| Unlisted equity investments | Level III            | Market comparable companies             | Discount for lack of marketability | The higher the discount, the lower the fair value                    |

#### (b) Fair value of financial assets and liabilities carried at other than fair value

The fair values of long-term debt securities issued have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of the Group, which are classified as Level II categories and disclosed in Note 43.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the Group and the Company's statement of financial position approximate their fair values.



## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 53 Financial 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 counterparties, clients, intermediary institutions, bond issuers or other business associates to meet their contracted obligation to the Group.

Currently, the Group's exposure to credit risk arises from: (1) direct credit risk from debt borrowers (including borrowers in margin financing and securities lending business) or bond issuers' default or bankruptcy, including the loss due to intermediary institutions such as brokers or custodian banks. The risk exposure is the total value of the debt outstanding; (2) counterparty credit risk from a counterparty's default on the over-the-counter derivative transactions, such as swap or forward. The risk exposure is determined by the change in the market prices of the derivatives; (3) settlement risk from a business associate's failure in delivery of fund or securities when the Group has fulfilled its delivery obligation.

To mitigate direct credit risk, the Group has set up investment criteria and limits based on bonds variety, credit ratings and issuers. For margin financing and securities lending and reverse REPOs, the Group undertakes various means to mitigate the direct credit risk, including holding collaterals from clients, reviewing and setting client trading limits, managing the underlying securities and collaterals and their conversion ratios, real-time and day-end monitoring, executing margin calls and forced liquidations, undertaking recourse actions.

(i) *Maximum exposure to credit risk of the Group without taking into account of any collateral or other credit enhancements*

|   | As at 31 December     |                       |
|---|-----------------------|-----------------------|
|   | 2015                  | 2014                  |
| Refundable deposits                                   | 517,873,149           | 325,017,473           |
| Financial assets at fair value through profit or loss | 20,579,792,939        | 10,845,613,852        |
| Derivative financial assets                           | 731,792,096           | 707,812,289           |
| Reverse REPOs   | 1,556,613,621         | 1,621,848,431         |
| Receivable from margin clients                        | 3,296,432,047         | 3,458,003,477         |
| Cash held on behalf of brokerage clients              | 24,301,353,512        | 11,084,580,427        |
| Bank balances   | 8,433,903,646         | 3,418,048,104         |
| Accounts receivable                                   | 6,673,871,943         | 8,335,721,064         |
| Others  | 478,508,038           | 341,953,007           |
| <b>Total maximum credit risk exposure</b>             | <b>66,570,140,991</b> | <b>40,138,598,124</b> |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 53 Financial Risk Management (continued)

#### (a) Credit risk (continued)

##### (ii) Risk concentrations

The Group's maximum credit risk exposure without taking into account of any collateral and other credit enhancements, as categorized by geographical area:

|   | By geographical area  |                        |                       |
|---|-----------------------|------------------------|-----------------------|
|   | Mainland China        | Outside Mainland China | Total                 |
| <b>31 December 2015</b>                               |                       |                        |                       |
| Refundable deposits                                   | 441,460,235           | 76,412,914             | 517,873,149           |
| Financial assets at fair value through profit or loss | 20,421,644,420        | 158,148,519            | 20,579,792,939        |
| Derivative financial assets                           | 349,715,701           | 382,076,395            | 731,792,096           |
| Reverse REPOs   | 1,411,754,885         | 144,858,736            | 1,556,613,621         |
| Receivable from margin clients                        | 2,883,148,789         | 413,283,258            | 3,296,432,047         |
| Cash held on behalf of brokerage clients              | 21,376,543,436        | 2,924,810,076          | 24,301,353,512        |
| Bank balances   | 6,095,783,747         | 2,338,119,899          | 8,433,903,646         |
| Accounts receivable                                   | 2,138,576,426         | 4,535,295,517          | 6,673,871,943         |
| Others  | 446,867,719           | 31,640,319             | 478,508,038           |
| <b>Total maximum credit risk exposure</b>             | <b>55,565,495,358</b> | <b>11,004,645,633</b>  | <b>66,570,140,991</b> |

|   | By geographical area  |                        |                       |
|---|-----------------------|------------------------|-----------------------|
|   | Mainland China        | Outside Mainland China | Total                 |
| <b>31 December 2014</b>                               |                       |                        |                       |
| Refundable deposits                                   | 259,419,729           | 65,597,744             | 325,017,473           |
| Financial assets at fair value through profit or loss | 10,537,837,895        | 307,775,957            | 10,845,613,852        |
| Derivative financial assets                           | 263,022,315           | 444,789,974            | 707,812,289           |
| Reverse REPOs   | 1,452,295,261         | 169,553,170            | 1,621,848,431         |
| Receivable from margin clients                        | 3,080,736,883         | 377,266,594            | 3,458,003,477         |
| Cash held on behalf of brokerage clients              | 8,564,625,856         | 2,519,954,571          | 11,084,580,427        |
| Bank balances   | 1,889,338,257         | 1,528,709,847          | 3,418,048,104         |
| Accounts receivable                                   | 2,545,639,940         | 5,790,081,124          | 8,335,721,064         |
| Others  | 321,521,289           | 20,431,718             | 341,953,007           |
| <b>Total maximum credit risk exposure</b>             | <b>28,914,437,425</b> | <b>11,224,160,699</b>  | <b>40,138,598,124</b> |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 53 Financial Risk Management (continued)

#### (a) Credit risk (continued)

##### (iii) Credit rating analysis of financial assets

The Group adopts a credit rating approach in managing credit risk of debt securities portfolio. Debt securities are rated with reference to Bloomberg Composite, or the major rating agencies where the issuers of the securities are located. The carrying amount of debt securities investments analyzed by the rating agency designations as at the end of the year are as follows:

|                                | As at 31 December |                |
|--------------------------------|-------------------|----------------|
|                                | 2015              | 2014           |
| Bloomberg comprehensive rating |                   |                |
| – AAA                          | 12,767,638        | 112,765,592    |
| – From AA- to AA+              | 154,287,550       | —              |
| – From A- to A+                | 1,289,204,552     | 147,052,695    |
| – Below A-                     | 1,784,186,051     | 892,204,317    |
| Sub-total                      | 3,240,445,791     | 1,152,022,604  |
| Other comprehensive rating     |                   |                |
| – AAA                          | 11,624,449,994    | 5,963,265,910  |
| – From AA- to AA+              | 2,165,641,558     | 1,895,541,569  |
| – From A- to A+                | —                 | 124,744,442    |
| – Below A-                     | —                 | 56,798,575     |
| Sub-total                      | 13,790,091,552    | 8,040,350,496  |
| Non-rated (Note)               | 3,549,255,596     | 1,558,240,752  |
| Total                          | 20,579,792,939    | 10,750,613,852 |

Note: Non-rated financial assets mainly represent debts instruments and trading securities issued by the MOF, the PBOC, and other policy banks, which are creditworthy issuers in the market but are not rated by independent rating agencies.

#### (b) Liquidity risk

Liquidity risk arises when the Group, despite being solvent at the time, cannot obtain sufficient funding in a timely basis or at a reasonable cost to finance the expansion of its assets or to pay off its obligation when it falls due.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 53 Financial Risk Management (continued)

#### (b) Liquidity risk (continued)

The following tables show the undiscounted contractual cash flows of the Group's non-derivative and derivative financial liabilities (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the end of the year), categorized by their remaining contractual maturities at the end of the year calculated based on the earliest date the Group can be required to pay:

|  | As at 31 December 2015             |                                 |                            |                      |          | Total                 |
|--|------------------------------------|---------------------------------|----------------------------|----------------------|----------|-----------------------|
|  | Overdue/<br>repayable<br>on demand | Within<br>1 year<br>(inclusive) | 1 - 5 years<br>(inclusive) | More than<br>5 years | Undated  |                       |
| Financial liabilities                  |                                    |                                 |                            |                      |          |                       |
| Accounts payable to brokerage clients  | 25,218,051,446                     | —                               | —                          | —                    | —        | 25,218,051,446        |
| Placements from financial institutions | —                                  | 1,715,952,905                   | 1,688,572,556              | —                    | —        | 3,404,525,461         |
| Financial liabilities at fair value    |                                    |                                 |                            |                      |          |                       |
| through profit or loss                 | —                                  | 5,584,316,162                   | —                          | —                    | —        | 5,584,316,162         |
| Derivative financial liabilities       | —                                  | 1,050,998,003                   | 20,013,925                 | —                    | —        | 1,071,011,928         |
| REPOs                                  | —                                  | 14,072,208,130                  | —                          | —                    | —        | 14,072,208,130        |
| Short-term debt securities issued      | —                                  | 1,753,660,479                   | —                          | —                    | —        | 1,753,660,479         |
| Long-term debt securities issued       | —                                  | 353,304,554                     | 4,623,218,220              | 3,258,642,980        | —        | 8,235,165,754         |
| Others                                 | 6,027,521,646                      | 8,258,869,380                   | —                          | —                    | —        | 14,286,391,026        |
| <b>Total</b>                           | <b>31,245,573,092</b>              | <b>32,789,309,613</b>           | <b>6,331,804,701</b>       | <b>3,258,642,980</b> | <b>—</b> | <b>73,625,330,386</b> |

|  | As at 31 December 2014             |                                 |                            |                      |          | Total                 |
|--|------------------------------------|---------------------------------|----------------------------|----------------------|----------|-----------------------|
|  | Overdue/<br>repayable<br>on demand | Within<br>1 year<br>(inclusive) | 1 - 5 years<br>(inclusive) | More than<br>5 years | Undated  |                       |
| Financial liabilities                  |                                    |                                 |                            |                      |          |                       |
| Accounts payable to brokerage clients  | 15,054,264,345                     | —                               | —                          | —                    | —        | 15,054,264,345        |
| Placements from financial institutions | —                                  | 1,554,580,856                   | —                          | —                    | —        | 1,554,580,856         |
| Financial liabilities at fair value    |                                    |                                 |                            |                      |          |                       |
| through profit or loss                 | —                                  | 7,525,929,706                   | —                          | —                    | —        | 7,525,929,706         |
| Derivative financial liabilities       | —                                  | 725,350,389                     | 12,455,306                 | —                    | —        | 737,805,695           |
| REPOs                                  | —                                  | 8,428,705,275                   | —                          | —                    | —        | 8,428,705,275         |
| Short-term debt securities issued      | —                                  | 912,090,137                     | —                          | —                    | —        | 912,090,137           |
| Long-term debt securities issued       | —                                  | 244,364,231                     | 977,456,925                | 4,300,910,953        | —        | 5,522,732,109         |
| Others                                 | 1,211,179,799                      | 1,495,591,313                   | —                          | —                    | —        | 2,706,771,112         |
| <b>Total</b>                           | <b>16,265,444,144</b>              | <b>20,886,611,907</b>           | <b>989,912,231</b>         | <b>4,300,910,953</b> | <b>—</b> | <b>42,442,879,235</b> |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 53 Financial Risk Management (continued)

#### (c) Market risk

Market risk is the risk of loss in the Group's income and value of financial instruments held arising from the adverse market movements such as changes in interest rates, stock prices, and foreign exchange rates. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximize the risk adjusted return. Stress testing is conducted regularly, and the potential movements of risk and operating indicators in a variety of scenarios are calculated.

The Group monitors the market risk for trading portfolios and non-trading portfolios separately.

##### (i) Market risk of trading portfolios

Trading portfolio includes financial assets at fair value through profit or loss, derivative financial assets, financial liabilities at fair value through profit or loss, and derivative financial liabilities. The risk exposures are measured and monitored in terms of principal, stop loss limit and etc., and are maintained within the limits set up by management. The Group adopts various kinds of methodologies (such as investment concentration limits, scenario analysis, Value-at-Risk ("VaR"), etc.) to manage market risk. The VaR analysis is a major tool used by the Group to measure and monitor market risk of the trading portfolios.

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market rates, such as interest rates, foreign exchange rates and stock prices and so on over a specified time horizon and at a given level of confidence. The independent risk management personnel of the Group compute VaR by using a historical simulation method and implement relevant control of market risk. The historical simulation method is used to simulate future profit or loss based on the historical fluctuation of the key market risk factors and the sensitivity of current investment portfolio in respect of such risk factors.

The Group has adopted the historical simulation method and set 95% as its confidence level to compute its daily VaR based on historical data of the previous three years, i.e. there is 95% chance that the expected loss based on historical data will not exceed the VaR value regarding the Group's investment portfolio. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- When there is severe market illiquidity for a prolonged period, the realizable value of the Group's investment portfolio in a trade day may vary from the expected value due to a 1-day time horizon for VaR;
- The assigned confidence level of 95% does not reflect losses that may occur beyond this level. Even within the model used there is a probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect intra day exposures;
- The use of historical data as a basis for determining the possible distribution of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and
- The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position changes if the market price volatility changes.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 53 Financial Risk Management (continued)

#### (c) Market risk (continued)

##### (i) Market risk of trading portfolios (continued)

VaR analysis by risk categories:

|   | For the year ended 31 December 2015 |                   |                   |                  |
|---|-------------------------------------|-------------------|-------------------|------------------|
|   | As at                               | Average           | Highest           | Lowest           |
|   | 31 December<br>2015                 |                   |                   |                  |
| Price-sensitive financial instruments         | 11,366,690                          | 7,379,698         | 13,498,988        | 3,058,591        |
| Interest-rate-sensitive financial instruments | 18,817,474                          | 14,404,938        | 21,538,018        | 7,421,385        |
| Exchange-rate-sensitive financial instruments | 5,644,320                           | 4,275,177         | 9,710,264         | 139,412          |
| <b>Total portfolio</b>                        | <b>22,454,205</b>                   | <b>16,735,503</b> | <b>24,481,161</b> | <b>8,944,654</b> |

|   | For the year ended 31 December 2014 |                   |                   |                  |
|---|-------------------------------------|-------------------|-------------------|------------------|
|   | As at                               | Average           | Highest           | Lowest           |
|   | 31 December<br>2014                 |                   |                   |                  |
| Price-sensitive financial instruments         | 5,066,514                           | 8,256,177         | 22,531,366        | 1,024,160        |
| Interest-rate-sensitive financial instruments | 9,349,148                           | 11,658,709        | 16,356,235        | 7,809,575        |
| Exchange-rate-sensitive financial instruments | 2,853,477                           | 4,216,332         | 8,757,569         | 381,721          |
| <b>Total portfolio</b>                        | <b>12,299,477</b>                   | <b>16,165,060</b> | <b>29,341,276</b> | <b>8,668,035</b> |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 53 Financial Risk Management (continued)

#### (c) Market risk (continued)

##### (ii) Market risk of non-trading portfolios

##### (1) Interest rate risk

The non-trading portfolios of the Group are subject to the risk of interest rate fluctuations. Except for the financial assets and liabilities managed through VaR, the Group's major interest-earning assets in its non-trading portfolios include deposits at banks and in clearing houses and reverse REPOs; and its interest-bearing liabilities mainly include short-term debt securities issued, placements from financial institutions, REPOs and long-term debt securities issued.

The Group adopts sensitivity analysis to measure the interest rate risk of non-trading portfolios. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

|  | Sensitivity of net<br>profit and equity<br>As at 31 December |              |
|--|--|--------------|
|  | 2015   | 2014         |
| Change in basis points                       |  |              |
| Increase by 50 basis points                  | (41,675,673)   | (15,865,256) |
| Decrease by 50 basis points or decrease to 0 | 42,495,268   | 16,848,413   |

The sensitivity analysis is based on the static rate risk profile of the Group's assets and liabilities. The sensitivity analysis measures the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions that:

- The 50 basis points of changes in interest rates at the end of the year apply to all of the Group's non-trading financial instruments in the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rate;
- There are no changes to the assets and liabilities portfolios;
- Other variables (including exchange rate) remain unchanged; and
- Risk management measures undertaken by the Group are not considered.

Due to the above assumptions, the actual changes of interest rate and the impact to the Group's net profit and equity might vary from the estimated results of the sensitivity analysis.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 53 Financial Risk Management (continued)

#### (c) Market risk (continued)

##### (ii) Market risk of non-trading portfolios (continued)

##### (2) Currency risk

Currency risk is the risk arising from the fluctuation of foreign exchange rates. The Group adopts sensitivity analysis to measure currency risk.

Assuming a 10% weakening of the RMB against the USD, the HKD and other currencies at the end of the year which would apply to the next 12 months with all other variables unchanged and all risk management measures undertaken by the Group set aside, the Group's net profit or loss and equity would have been affected as follows:

| Currency | Changes | Sensitivity of net profit and equity |              |
|----------|---------|--------------------------------------|--------------|
|          |         | As at 31 December                    |              |
|          |         | 2015                                 | 2014         |
| USD      | 10%     | (245,253,461)                        | (47,700,324) |
| HKD      | 10%     | 208,477,797                          | 54,783,730   |
| Others   | 10%     | (23,635,476)                         | 15,130,604   |

A 10% strengthening of the RMB against the USD, the HKD and other currencies at the reporting date would have had the equal but opposite effect on the Group's net profit or loss and equity, on the basis that all other variables remain unchanged.

Due to the above assumptions, the actual changes in foreign currency rate and the impact to the Group's net profit or loss and equity might vary from the estimated results of the sensitivity analysis.



## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 54 Capital Management

The Group's capital management policy is to maintain an adequate capital base, so as to retain the confidence of the investors, the creditors and the counterparties and to ensure the sound development of future business. The objective of the Group's capital management is to meet legal and regulatory requirements, while maintaining adequate capital and maximize returns. Based on its strategic plan, its business development needs and the tendency in its risk exposure, the Group carries out the forecast, planning and management of its regulatory capital through scenario analysis and stress testing.

The Group calculates its regulatory capital in accordance with relevant regulations applicable in the local jurisdiction which may be significantly different from the regulations in other jurisdictions. The Company calculates net capital in accordance with the Regulations on the Adjustment of the Calculation Standards of Net Capital for Securities Companies (2012 Amendment) (CSRC Announcement [2012] No. 37) issued by the CSRC on 16 November 2012 and other relevant regulations. Net capital refers to net assets after risk adjustments on certain types of assets as defined in the Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) (the "Administrative Measures").

In accordance with 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 reserves 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");
- (vi) The ratio of the value of fixed income securities held divided by net capital shall not exceed 500% ("Ratio 6");

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 54 Capital Management (continued)

- (vii) The calculation of liquidity coverage ratio is set by the Guidelines for the Management of Liquidity Risk of Securities Companies issued by the Securities Association of China (the “SAC”) effective on March 1, 2014. Liquidity coverage ratio = high quality liquid assets/total net cash outflows over the next 30 days. The high quality liquid assets refers to all types of assets which can be converted into cash promptly by means of sale or collateral at small or no loss of value in the finance market under a stress scenario. The total net cash outflows over the next 30 days equals total expected cash outflows minus the total expected cash inflows for the subsequent 30 days. Liquidity coverage ratio shall not be lower than 100% (“Ratio 7”); and
- (viii) The calculation of net stable funding ratio is set by the Guidelines for the Management of Liquidity Risk of Securities Companies. Net stable funding ratio = available amount of stable funding/required amount of stable funding. The available amount of stable funding is defined as the portion of those types of equity and liability financing which are expected to provide reliable sources of funds over a one-year period under a continued stress scenario. The required amount of stable funding is calculated as the sum of the value of assets or off-balance sheet exposures of a securities firm, multiplied by the respective required stable funding factor. The required stable funding factor equals the percentage of the value of assets or off-balance sheet exposures that need support from stable funding. Net stable funding ratio shall not be lower than 100% (“Ratio 8”).

As at 31 December 2015 and 2014, the Company maintained the above ratios as follows:

|             | As at 31 December |               |
|-------------|-------------------|---------------|
|             | 2015              | 2014          |
| Net Capital | 10,980,874,997    | 4,540,586,986 |
| Ratio 1     | 897.54%           | 551.65%       |
| Ratio 2     | 69.15%            | 78.21%        |
| Ratio 3     | 37.60%            | 27.10%        |
| Ratio 4     | 54.38%            | 34.65%        |
| Ratio 5     | 27.46%            | 30.34%        |
| Ratio 6     | 203.67%           | 210.06%       |
| Ratio 7     | 303.78%           | 356.38%       |
| Ratio 8     | 169.87%           | 127.36%       |

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements imposed by their local regulators, including the CSRC, the Hong Kong Securities and Futures Commission, and etc.

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 55 Statement of Financial Position of the Company

|   | Note | As at 31 December |                |
|---|------|-------------------|----------------|
|   |      | 2015              | 2014           |
| <hr/>   |      |                   |                |
| Non-current assets                                    |      |                   |                |
| Property and equipment                                |      | 179,962,060       | 162,327,977    |
| Intangible assets                                     |      | 15,808,582        | 30,740,440     |
| Interest in subsidiaries                              | 56   | 3,425,029,128     | 2,907,875,402  |
| Interest in associates and joint ventures             |      | 288,683,670       | 266,366,748    |
| Refundable deposits                                   |      | 542,279,464       | 259,387,151    |
| Deferred tax assets                                   |      | 593,768,715       | 397,404,964    |
| Other non-current assets                              |      | 37,853,537        | 40,142,750     |
| <hr/>   |      |                   |                |
| Total non-current assets                              |      | 5,083,385,156     | 4,064,245,432  |
| <hr style="border-top: 1px dashed black;"/>           |      |                   |                |
| Current assets  |      |                   |                |
| Accounts receivable                                   |      | 5,357,561,407     | 2,314,285,696  |
| Receivable from margin clients                        |      | 2,883,148,789     | 3,080,736,883  |
| Available-for-sale financial assets                   |      | 488,582           | 20,816,763     |
| Financial assets at fair value through profit or loss |      | 24,781,747,850    | 11,583,236,465 |
| Derivative financial assets                           |      | 735,502,678       | 263,706,751    |
| Reverse REPOs   |      | 1,400,754,885     | 1,447,295,261  |
| Interest receivable                                   |      | 365,866,922       | 320,273,475    |
| Cash held on behalf of brokerage clients              |      | 17,891,067,616    | 8,564,784,692  |
| Cash and bank balances                                |      | 4,484,495,784     | 1,740,060,482  |
| Other current assets                                  |      | 45,054,704        | 37,342,160     |
| <hr/>   |      |                   |                |
| Total current assets                                  |      | 57,945,689,217    | 29,372,538,628 |
| <hr style="border-top: 1px dashed black;"/>           |      |                   |                |
| Total assets  |      | 63,029,074,373    | 33,436,784,060 |
| <hr/>   |      |                   |                |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 55 Statement of Financial Position of the Company (continued)

|  | Note | As at 31 December     |                       |
|--|------|-----------------------|-----------------------|
|  |      | 2015                  | 2014                  |
| Current liabilities  |      |                       |                       |
| Financial liabilities at fair value through profit or loss |      | —                     | 67,063,351            |
| Derivative financial liabilities                           |      | 714,461,871           | 189,340,476           |
| Accounts payable to brokerage clients                      |      | 17,948,609,160        | 8,580,691,247         |
| Placements from financial institutions                     |      | 1,046,164,800         | 853,000,000           |
| Short-term debt securities issued                          |      | 1,700,000,000         | 900,000,000           |
| REPOs  |      | 11,853,667,781        | 8,151,854,724         |
| Employee benefits payable                                  |      | 1,937,683,466         | 1,586,008,204         |
| Income tax payable   |      | 501,188,226           | 46,334,718            |
| Other current liabilities                                  |      | 5,874,938,765         | 1,843,708,012         |
| <b>Total current liabilities</b>                           |      | <b>41,576,714,069</b> | <b>22,218,000,732</b> |
| Net current assets   |      | 16,368,975,148        | 7,154,537,896         |
| <b>Total assets less current liabilities</b>               |      | <b>21,452,360,304</b> | <b>11,218,783,328</b> |
| Non-current liabilities                                    |      |                       |                       |
| Non-current employee benefits payable                      |      | 573,213,279           | 117,917,615           |
| Long-term debt securities issued                           |      | 5,000,000,000         | 3,000,000,000         |
| <b>Total non-current liabilities</b>                       |      | <b>5,573,213,279</b>  | <b>3,117,917,615</b>  |
| Net assets   |      | 15,879,147,025        | 8,100,865,713         |
| Equity   |      |                       |                       |
| Share capital/paid-in capital                              | 45   | 2,306,669,000         | 1,667,473,000         |
| Reserves   | 45   | 11,505,199,797        | 3,891,354,248         |
| Other equity instruments                                   | 46   | 1,000,000,000         | —                     |
| Retained profits   |      | 1,067,278,228         | 2,542,038,465         |
| <b>Total equity</b>  |      | <b>15,879,147,025</b> | <b>8,100,865,713</b>  |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 56 Interest in Subsidiaries

|  | As at 31 December    |                      |
|--|----------------------|----------------------|
|  | 2015                 | 2014                 |
| Unlisted shares, at cost or deemed cost (Note) | 3,425,029,128        | 2,907,875,402        |
| <b>Total</b>                                   | <b>3,425,029,128</b> | <b>2,907,875,402</b> |

Note: As required by the relevant PRC rules and regulations with respect to the conversion to a joint stock company with limited liability, the property and equipment, intangible assets and investment in subsidiaries of the Company as at 31 December 2014 were revalued by China Enterprise Appraisals Company, Limited. The property and equipment, intangible assets and investment in subsidiaries of the Company were restated at their revalued amounts or deemed costs on 31 December 2014, resulting in a surplus on revaluation of RMB2,294,895,015 being credited to capital reserve. The above valuation surplus is reversed in the Group's consolidated financial statements.

Particulars of the Company's principal subsidiaries are as follows:

| Name of company   | Place of incorporation and operation | Particulars of issued and paid up capital | Equity interest held by the Company as at 31 December |      | Principal activity  | Auditor <sup>(1)</sup> |
|---|--------------------------------------|---|---|------|---|------------------------|
|   |                                      |   | 2015  | 2014 |   |                        |
| CICC Hong Kong  | Hong Kong                            | HKD62,400,000                             | 100%  | 100% | Overseas investment holding business                          | KPMG                   |
| CICC Jiacheng Investment Management Corporation Limited                             | Beijing, PRC                         | RMB410,000,000                            | 100%  | 100% | Direct investment Business                                    | KPMG PRC               |
| CICC Pucheng Investment Co., Ltd.   | Shanghai, PRC                        | RMB300,000,000                            | 100%  | 100% | Financial products Investment Business                        | KPMG PRC               |
| China International Capital Corporation Hong Kong Securities Limited <sup>(4)</sup> | Hong Kong                            | HKD843,220,000                            | 100%  | 100% | Investment banking and securities brokerage business          | KPMG                   |
| CICC Financial Products Ltd. <sup>(4)</sup>   | British Virgin Islands               | USD1                                      | 100%  | 100% | Financial products investment business                        | KPMG                   |
| CICC Hong Kong Asset Management Limited <sup>(4)</sup>                              | Hong Kong                            | HKD245,740,000                            | 100%  | 100% | Assets management and securities investment advisory business | KPMG                   |
| China International Capital Corporation (Singapore) Pte. Ltd. <sup>(4)</sup>        | Singapore                            | SGD47,000,000                             | 100%  | 100% | Investment banking and securities brokerage business          | KPMG Singapore         |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 56 Interest in Subsidiaries (continued)

| Name of company  | Place of incorporation and operation | Particulars of issued and paid up capital | Equity interest held by the Company as at 31 December |      | Principal activity                                   | Auditor <sup>(1)</sup> |
|--|--------------------------------------|---|---|------|--|------------------------|
|  |                                      |   | 2015  | 2014 |  |                        |
| China International Capital Corporation (UK) Ltd. <sup>(4)</sup>                 | UK                                   | GBP21,000,000                             | 100%  | 100% | Investment banking and securities brokerage business | KPMG UK                |
| CICC US Securities, Inc. <sup>(4)</sup>  | USA                                  | USD53,000,000                             | 100%  | 100% | Investment banking and securities brokerage business | KPMG US                |
| China International Capital Corporation Hong Kong Futures Limited <sup>(4)</sup> | Hong Kong                            | HKD26,000,000                             | 100%  | 100% | Futures brokerage and market making business         | KPMG                   |
| CICC Financial Trading Ltd <sup>(4)</sup>  | Hong Kong                            | HKD1                                      | 100%  | 100% | Securities business                                  | KPMG                   |
| CICC Investment Group Company Limited <sup>(3)(4)</sup>                          | British Virgin Islands               | USD100                                    | 100%  | 100% | Investment holding business                          | —                      |
| CICC Investment Management Co., Ltd. <sup>(3)(4)</sup>                           | Cayman Islands                       | USD1                                      | 100%  | 100% | Direct investment business                           | —                      |
| CICC Jiahe (Tianjin) Equity Investment Fund Management Limited <sup>(4)</sup>    | Tianjin, PRC                         | RMB100,000,000                            | 100%  | 100% | Investment management and advisory business          | KPMG PRC               |
| CICC Fund Management Co., Ltd.   | Beijing, PRC                         | RMB200,000,000                            | 100%  | 100% | Promotion and Management of mutual funds business    | KPMG PRC               |
| CICC Futures <sup>(5)</sup>  | Xining, PRC                          | RMB200,000,000                            | 100%  | 100% | Futures brokerage                                    | KPMG PRC               |
| CICC Zhide Capital Co., Ltd. <sup>(2)</sup>                                      | Shanghai, PRC                        | RMB20,500,000                             | 100%  | 100% | Direct Investment Business                           | KPMG PRC               |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 56 Interest in Subsidiaries (continued)

Note:

- (1) Statutory auditors of the respective subsidiaries of the Group are as follows:
  - KPMG PRC represents KPMG Huazhen LLP (畢馬威華振會計師事務所 (特殊普通合夥)), a firm of certified public accountants registered in the PRC. The official name of KPMG Huazhen LLP is in Chinese;
  - KPMG represents KPMG in Hong Kong, a firm of certified public accountants registered in Hong Kong;
  - KPMG Singapore represents KPMG Service Pte. Ltd. in Singapore, a firm of certified public accountants registered in Singapore;
  - KPMG UK represents KPMG LLP in the UK, a firm of certified public accountants registered in the United Kingdom of Great Britain and Northern Ireland;
  - KPMG US represents KPMG LLP in the US, a firm of certified public accountants registered in the United States of America;
- (2) This subsidiary was newly incorporated in 2015.
- (3) These subsidiaries were not subject to statutory audit according to the local regulations.
- (4) The equity interest of these subsidiaries were indirectly held by the Company.
- (5) Acquisition of CICC Futures:

In August 2015, the Group acquired the entire equity interest of Fortune Futures from Jianyin Investment (see Note 50(b) (iii)). The acquisition enables the Group to develop its futures brokerage business. Fortune Futures was renamed as CICC Futures in December 2015.

From the date of acquisition to 31 December 2015, CICC Futures contributed revenue and other income of RMB37,635,454 and net profit of RMB18,903,487 to the Group's results. If the acquisition had occurred on 1 January 2015, management estimates that consolidated revenue and other income of the Group for the year ended 31 December 2015 would have been increased by RMB106,924,693 and consolidated net profit for the year would have been increased by RMB33,440,986.

(a) **Consideration transferred**

According to the agreement between the Company and Jianyin Investment the consideration of the acquisition was RMB247,653,726, equaling to the fair value of net assets of Fortune Futures (renamed as CICC Futures after the acquisition) at 31 December 2012 which was valued by a qualified appraiser (RMB211,856,327) and the profits attributable to Jianyin Investment from 1 January 2013 to the date of acquisition (RMB35,797,399).

(b) **Acquisition-related costs**

There was no acquisition-related costs incurred for this transaction.

(c) **Identifiable assets acquired and liabilities assumed**

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

|  | Amount          |
|--|-----------------|
| Total identifiable assets              | 4,465,743,677   |
| Total identifiable liabilities         | (4,218,089,951) |
| Total identifiable net assets acquired | 247,653,726     |

## Notes to the Financial Statements

(Expressed in RMB, unless otherwise stated)

### 57 Subsequent Events

In January 2016, the Company repaid its beneficiary certificates (CICC Jinyintong No. 3, CICC Tianxinbao No. 14 and CICC Jinyintong No. 5) with an aggregated principal amount of RMB700 million. In March 2016, the Company repaid its beneficiary certificate (CICC Jinyintong No.4) with the principal amount of RMB500 million.



## Appendix

### Company Business Qualifications

- (1) In 1999, obtained approval to enter the national interbank market, the PBOC
- (2) In 2001, qualification for RMB ordinary equities brokerage business, the CSRC
- (3) In 2002, qualification for securities investment advisory business, the CSRC
- (4) In 2002, qualification for entrusted investment management business, the CSRC
- (5) In 2004, obtained approval to become one of the first batch of sponsor institutions, the CSRC
- (6) In 2004, qualification for internet securities entrustment business, the CSRC
- (7) In 2004, qualification of sales agent for open-ended securities investment funds, the CSRC
- (8) In 2004, securities firm engaging in innovative activities, the SAC
- (9) In 2004, qualification of NSSF investment manager, the NCSSF
- (10) In 2005, qualification for underwriting business of short-term commercial papers, the PBOC
- (11) In 2005, qualification for warrant trading business, Shanghai Stock Exchange
- (12) In 2005, qualification for foreign exchange asset management business, the SAC
- (13) In 2005, qualification of corporate annuity fund manager, the MOHRSS
- (14) In 2005, qualification of bilateral quotation provider for block transactions of bonds, Shanghai Stock Exchange
- (15) In 2006, qualification of Participant of China Securities Depository and Clearing Corporation, the CSDC
- (16) In 2006, qualification of NSSF offshore investment manager, the NCSSF
- (17) In 2007, approval of proposed third party custodian for settlement funds of client transactions, the CSRC Beijing Bureau
- (18) In 2007, obtained approval to commence direct investment business (through establishing a 100%-owned private equity firm), the CSRC
- (19) In 2007, engaged in offshore securities investment management business as a qualified domestic institutional investor (QDII), the CSRC
- (20) In 2007, commence the business of “SSE Fund Connect (上證基金通)”, Shanghai Stock Exchange
- (21) In 2007, consent to engage in interbank market interest rate swap business, the CSRC
- (22) In 2008, became Class A Clearing Participant of China Securities Depository and Clearing Corporation, the CSDC
- (23) In 2008, lead underwriting qualification for short-term margin financing and securities lending business, the PBOC
- (24) In 2010, qualification to commence RMB ordinary equities principal business, the CSRC
- (25) In 2010, qualification to provide introducing brokerage business to futures companies, the CSRC
- (26) In 2010, market maker in the national interbank market, the PBOC
- (27) In 2010, business qualification for margin financing and securities lending, the CSRC
- (28) In 2010, qualification for offshore securities investment segregated asset management business, the CSRC

## Appendix

- (29) In 2011, business qualification of securities firm as issuer on the Third Board (Agency Share Transfer System), the SAC
- (30) In 2012, qualification to commence placing business for SME bonds, the SAC
- (31) In 2012, authorization for trading in securities under repurchase agreements, Shanghai Stock Exchange
- (32) In 2012, business qualification to provide refinancing for margin financing and securities lending business, the CSF
- (33) In 2012, consent to establish a professional subsidiary for commencing real estate direct investment fund business qualification association, the CSRC
- (34) In 2012, qualification of insurance funds investment manager, the CSRC
- (35) In 2013, qualification for over-the-counter trading business, the SAC
- (36) In 2013, qualification for equities swap transaction business, the SAC
- (37) In 2013, qualification for agency business of financial products, the CSRC Beijing Bureau
- (38) In 2013, authorization for trading in securities under repurchase agreement, Shenzhen Stock Exchange
- (39) In 2013, qualifications for sponsor, brokerage business on the National Equities and Exchange Quotations (NEEQ), NEEQ
- (40) In 2013, authorization for trading in collateralized stock repurchase business, Shanghai Stock Exchange and Shenzhen Stock Exchange
- (41) In 2013, business qualification for split conversion and merger conversion of funds, the CSDC
- (42) In 2013, qualification of advisory service for military industry and confidential business, the SASTIND
- (43) In 2013, business qualification for witnessing account opening, the CSDC
- (44) In 2014, business for special institutional customers of insurance institutions, the CIRC
- (45) In 2014, business qualification for internet account opening, the CSDC
- (46) In 2014, business qualification for over-the-counter issuance of beneficiary certificates, China Securities Inter-organization Quotation System Co., Ltd.
- (47) In 2014, business license or qualification for business of Southbound Trading Link (港股通), Shanghai Stock Exchange
- (48) In 2014, business qualification for mutual funds (through the promotion and establishment of a wholly-owned fund company), the CSRC
- (49) In 2014, qualifications for market-making business on the National Equities and Exchange Quotations (NEEQ), NEEQ
- (50) In 2015, stock options brokerage business and principal trading business qualifications, Shanghai Stock Exchange
- (51) In 2015, qualification of integrated custodian business for private funds, the CSRC and the SIPF
- (52) In 2015, qualification of internet finance business, the CSRC
- (53) In 2015, qualifications for spot precious metals agency business and spot gold principal trading business and member of the Shanghai Gold Exchange, the CSRC and the Shanghai Gold Exchange
- (54) In 2015, qualification of custodian business for securities investment funds, the CSRC
- (55) In 2015, qualification of agency business for long-distance collateral registration business, the CSDC

