



# 海通证券股份有限公司

## HAITONG SECURITIES CO., LTD.\*

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

Stock Code: 6837

# 2015

## Annual Report

*\*For identification purpose only*

# CONTENTS

Section I	Definition and Important Risk Warnings	3
Section II	Company Profile and Key Financial Indicators	8
Section III	Summary of the Company's Business	23
Section IV	Report of the Board of Directors	28
Section V	Significant Events	62
Section VI	Changes in Ordinary Share and Particulars about Shareholders	84
Section VII	Preferred Shares	92
Section VIII	Particulars about Directors, Supervisors, Senior Management and Employees	93
Section IX	Corporate Governance	129
Section X	Corporate Bonds	160
Section XI	Financial Report	170
Section XII	Documents Available for Inspection	171
Section XIII	Information Disclosure of Securities Company	172



## IMPORTANT NOTICE

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

This Report was reviewed and passed at the fifteenth meeting of the sixth session of the Board. The number of Directors to attend the Board meeting should be 13 and the number of Directors having actually attended the Board meeting was 11. Director Xu Chao, was unable to attend the Board meeting in person due to business travel, and had appointed Director Wang Hongxiang to vote on his behalf. Director Feng Lun was unable to attend the Board meeting in person due to business travel and had appointed Director Xiao Suining to vote on his behalf.

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

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

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

The profit distribution proposal or proposal on transfer of capital reserve fund into share capital reviewed by the Board for the Reporting Period are as follows:

On the basis of a total share capital of 11,501,700,000 A Shares and H Shares in issue as at 31 December 2015, cash dividend of RMB4.50 per 10 shares (inclusive of tax) will be distributed to all holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date, with total cash dividend amounting to RMB5,175,765,000.00. The retained profits of the Company of RMB14,655,043,372.86 following the cash dividend distribution will be carried forward to the next year.

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

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

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

# SECTION I DEFINITION AND IMPORTANT RISK WARNINGS

## I. DEFINITION

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

Definition of the frequently used terms

“A Share(s)”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed and traded on the Shanghai Stock Exchange
“Articles of Association” or “Articles”	the articles of association of Haitong Securities
“Board”	the board of Directors of Haitong Securities
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this Report, Hong Kong, the Special Administrative Region of Macau and Taiwan
“Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“Company” or “Haitong Securities”	Haitong Securities Co., Ltd.
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of Haitong Securities
“EUR” or “euro”	the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended
“Fullgoal Fund”	Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary shares in the share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“Haitong Bank”	Haitong Bank, S.A.

## SECTION I DEFINITION AND IMPORTANT RISK WARNINGS

“Haitong Capital”	Haitong Capital Investment Co., Ltd. (海通開元投資有限公司)
“Haitong Futures”	Haitong Futures Co., Ltd. (海通期貨有限公司)
“Haitong Innovation Securities”	Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司)
“Haitong International Holdings”	Haitong International Holdings Limited (海通國際控股有限公司)
“Haitong International Securities”	Haitong International Securities Group Limited (海通國際證券集團有限公司), a company listed on the Hong Kong Stock Exchange under the stock code of 665
“Haitong UniTrust Leasing”	Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司)
“Haitong UT”	Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司)
“Haitong Xinchuang”	Haitong Xinchuang Investment Management Co., Ltd. (海通新創投資管理有限公司)
“Haitong-Fortis PE”	Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司)
“HFT Investment”	HFT Investment Management Co., Ltd. (海富通基金管理有限公司)
“HT Asset Management”	Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司)
“HK\$”, “HKD” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Special Administrative Region of Hong Kong of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	the International Financial Reporting Standards

## SECTION I DEFINITION AND IMPORTANT RISK WARNINGS

“IPO”	initial public offering
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“NSSF”	the National Council for Social Security Fund of the PRC
“PRC GAAP”	generally accepted accounting principles in the PRC
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	from 1 January 2015 to 31 December 2015
“RMB or Renminbi”	the lawful currency of the PRC
“RQFII”	Renminbi Qualified Foreign Institutional Investor
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange” or “SSE”	the Shanghai Stock Exchange
“Shenzhen Stock Exchange” or “SZSE”	the Shenzhen Stock Exchange
“Supervisor(s)”	the supervisor(s) of Haitong Securities
“Supervisory Committee”	the supervisory committee of Haitong Securities
“US\$”, “USD” or “U.S. dollars”	the lawful currency of the United States of America

# SECTION I DEFINITION AND IMPORTANT RISK WARNINGS

## II. IMPORTANT RISK WARNINGS

Our business is subject to many factors, including macroeconomic and monetary policies, laws and regulations on financial and securities industries, inflation, fluctuation in exchange rate, funding sources available in the market in short-term and long-term, cost of funding and level and volatility of interest rates. Turmoil in the financial markets, a downturn in general economic conditions or other risks associated with the securities industry in general could reduce securities trading and finance activities and affect the value of certain financial assets. Consequently, it would materially and adversely affect our results of operations and financial condition. The Company may also be exposed to the credit risk related to the issuer of assets because of holding financial assets. Underwriting, investing, margin financing and securities lending or other securities business may cause the Company to hold a large number of assets of specific class, resulting in the concentration risk to be borne by the Company.

Operation of the Company mainly relies on the management and qualified professionals. However, the market competition to hire qualified professionals is intensive. In case we are unable to hire or retain qualified employees or replace them with suitable candidates, the Company's business could be adversely affected.

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

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

## SECTION I DEFINITION AND IMPORTANT RISK WARNINGS

The Company was investigated by CSRC on 24 August 2015 and 26 November 2015, respectively. An Advance Notice of Administrative Penalty from the CSRC (Chu Fa Zi [2015] No. 73) was received on 10 September 2015. The result of the above investigations is subject to uncertainty. It may have an adverse impact on the Company's innovative business should it be defined as a material event.

The stock market has witnessed abnormal volatility since June 2015. In order to maintain the long-term stability of the stock market and play an active role as a securities firm, the Company entered into the Master Agreement for OTC Derivatives Trading in the China Securities Futures Market and the Confirmation of Return Swaps Trading with China Securities Finance Corporation Limited, pursuant to which the Company contributed RMB15 billion and RMB4.457 billion respectively, representing 20% of its net assets as at the end of July 2015, for the investment in blue-chip shares ETF. The above contribution will be included in the annual quota of the Company's investment in proprietary equity securities and securities derivatives, and may increase the impact of volatility from the A share market on the Company and therefore expose the Company to relatively high market risks.

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



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. CORPORATE INFORMATION

Chinese name of the Company:	海通證券股份有限公司
Chinese abbreviation of the Company:	海通證券
English name of the Company:	Haitong Securities Co., Ltd.
English abbreviation of the Company:	Haitong Securities
Legal representative of the Company:	Wang Kaiguo
General manager of the Company:	Qu Qiuping
Authorized representatives of the Company:	Wang Kaiguo, Huang Zhenghong
Joint company secretaries:	Huang Zhenghong, Wong Wai Ling

#### Registered Capital and Net Capital of the Company

	As at the end of this Reporting Period	As at the end of last year
Registered capital (RMB)	11,501,700,000.00	9,584,721,180.00
Net capital (RMB)	85,521,155,141.81	37,110,256,311.66

Note: Upon the completion of issue of new H Shares by the Company on 29 May 2015, the total number of shares of the Company increased from 9,584,721,180 to 11,501,700,000, and the registered capital of the Company increased to RMB11,501,700,000.00. The registration formalities of changes with the relevant administration for industry and commerce have been completed.

#### Scope of business of the Company:

Securities brokerage; securities proprietary trading business; securities underwriting and sponsoring; securities investment advisory; financial consultation relating to securities trading and investment activities; direct investment business; securities investment fund consignment; provision of intermediary introduction business for the futures companies; margin financing and securities lending business; agency sales of financial products; the stock options market making business; other businesses approved by the CSRC; and the Company is permitted to establish subsidiaries that are engaged in outbound investments including investments in financial products.

#### Each individual business qualification of the Company:

1. Online securities entrustment business qualification (Zheng Jian Xin Xi Zi [2001] No. 3)
2. Qualification for lending and purchase of bonds, bond transactions and bond repurchase business in the national inter-bank lending market and the bond market (Yin Ban Han [2001] No. 819)
3. Qualification for lending transactions and bond transactions in the national inter-bank lending center (Zhong Hui Jiao Fa [2001] No. 306)
4. Internet information service qualification (Hu ICP Zheng 020694)
5. Qualification for acquisition of securities business departments (Hu Zheng Ji Bian [2002] No. 090)
6. Open-end securities investment fund consignment business qualification (Zheng Jian Ji Jin [2002] No. 076)
7. Qualification for foreign exchange operation in the securities business (SC201014)
8. Securities company engaged in relevant innovative activity trials (Zhong Zheng Xie Han [2005] No. 079)
9. Qualification for agent of share transfer business (Z-007)

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

10. Qualification for short-term commercial paper underwriting business (Yin Fa [2005] No. 173)
11. Qualification for quotation transfer business (Zhong Zheng Xie Han [2006] No. 3)
12. Trader Qualification for Shanghai Stock Exchange Fixed Income Securities Consolidated Electric Trading Platform (Shang Zheng Hui Han [2007] No. 86)
13. Qualification for Association of PRC Inter-bank Market Trader (August 2007)
14. Qualification for overseas securities investment management business as a qualified domestic institutional investor (Zheng Jian Xu Ke [2008] No. 146)
15. A-grade clearing participant qualification of China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2008] No. 22)
16. Qualification for provision of intermediary introduction business for the futures companies (Zheng Jian Xu Ke [2008] No. 479, Hu Zheng Jian Ji Gou Zi [2010] No. 122)
17. Qualification for direct investment business trials (Ji Gou Bu Bu Han [2008] No. 421)
18. Qualification for implementation of the broker system (Hu Zheng Jian Ji Gou Zi [2009] No. 302)
19. Qualification of Providing Trading Units for Insurance Agency Investors (Bao Jian Zi Jin Shen Zheng [2009] No. 1)
20. Qualification for margin financing and securities lending business (Zheng Jian Xu Ke [2010] No. 315)
21. Qualification of Engaging of Stock Index Futures Hedging Business through Proprietary Trading of the Company (Hu Zheng Jian Ji Gou Zi [2010] No. 372)
22. Qualification for Securities House Assigned by NSSF (August 2011)
23. Qualification for Fund Evaluation Business (Zhong Zheng Xie Fa [2010] No. 070)
24. Qualification of Engaging of Stock Index Futures through Asset Management (Hu Zheng Jian Ji Gou Zi [2011] No. 237)
25. Stock repo transaction business trials (Ji Gou Bu Bu Han [2011] No. 512) (Shang Zheng Jiao Zi [2011] No. 37)
26. Qualification for issuance of overseas listed foreign shares (Zheng Jian Xu Ke [2011] No. 1821)
27. Trial business of bond collateralized repo with quotes (Ji Gou Bu Bu Han [2011] No. 585)
28. Partnership independent custody business trials (Ji Gou Bu Bu Han [2012] No. 686)
29. Over-the-counter transaction business (Zhong Zheng Xie Han [2012] No. 825)
30. Pilot Qualification of Engaging of Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2012] No. 113)
31. Pilot Qualification of Underwriting of Private Debts for SMEs (Zhong Zheng Xie Han [2012] No. 561)
32. Qualification for foreign exchange operation in the securities business (SC201307)
33. Qualification for issuance of short-term financing bonds (Ji Gou Bu Bu Han [2013] No. 407, Department of Fund and Intermediary Supervision Han [2014] No. 1551)
34. Qualification for Distribution of Financial Products (Hu Zheng Jian Ji Gou Zi [2013] No.180)
35. Pilot qualification of conducting capital consumption payment services for client securities (Ji Gou Bu Bu Han [2013] No. 741)
36. Qualification for recording military confidential business consultancy services in a secured and confidential condition (certificate number: 00132029)
37. Qualification of the 11th batch of insurance agency for 2013 (Hu Bao Jian Xu Ke [2013] No. 204)
38. Qualification for agency distributing precious metal spot contract such as gold and proprietary trading for gold spot contract (Ji Gou Bu Bu Han [2013] No. 959)
39. Custody qualification of security investment funds (Zheng Jian Xu Ke [2013] No. 1643)

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

40. Qualification for agency business of securities pledge registration
41. Internet securities business trials (Zhong Zheng Xie Han [2014] No. 358)
42. Membership qualification on the Gold Exchange (Certificate No. T004)
43. Pilot Issuance of Short-term Corporate Bonds by Securities Companies (Shang Zheng Duan Zhai [2014] No. 4)
44. Business Pilot of Financing-oriented Option Exercise with respect to Share Incentive Schemes of Listed Companies (Shenzhen Han [2014] No. 321)
45. Qualification for the stock options market making business (Zheng Jian Xu Ke [2015] No. 153)
46. Principal market maker in SSE 50 ETF options contracts (Shang Zheng Han [2015] No. 214)
47. Business Qualification for Options Settlement (Zhong Guo Jie Suan Han Zi [2015] No. 20)
48. Futures Membership Certificate (certificate number: NO. G02008)
49. Qualification for Offshore Proprietary Business (Ji Gou Bu Han [2015] No. 1204)
50. No Comment Letter on Innovative Program of One-way Video Account Opening (Zhong Guo Jie Suan Ban Zi [2015] No. 461)
51. Qualification for Inter-bank Gold Price Asking Transactions (Shang Jin Jiao Fa [2015] No. 120)
52. Permission for Printing Publication of Internal Information (Hu Xin Chu Bao [2015] No. 115)

The Company holds membership qualification on the Shanghai Stock Exchange and the Shenzhen Stock Exchange and warrant clearing business qualification in China Securities Depository and Clearing Corporation Limited. All subsidiaries of the Company conduct their operation legally or upon obtaining the relevant business qualifications as approved by the relevant regulatory departments.

### II. CONTACT PERSONS AND CONTACT METHODS

	<b>Board Secretary</b>	<b>Representative of Securities Affairs</b>
Name	Huang Zhenghong	Sun Tao
Correspondence address	12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC (Postal Code: 200001)	12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC (Postal Code: 200001)
Tel	8621-23219000	8621-23219000
Fax	8621-63410627	8621-63410627
E-mail	huangzh@htsec.com	sunt@htsec.com

### III. CORPORATE INFORMATION

Registered address: Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC

Postal code of registered address: 200001

Business address: Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC

Postal code of business address: 200001

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

E-mail: [haitong@htsec.com](mailto:haitong@htsec.com)

Principal place of business in Hong Kong: 21st Floor, Li Po Chun Chambers,

189 Des Voeux Road Central, Central, Hong Kong

Search index for changes in registration during the Reporting Period: <http://www.sse.com.cn>

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Media designated by the Company for information disclosure: China Securities Journal,  
Shanghai Securities News,  
Securities Times

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

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

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

### V. INFORMATION ON THE COMPANY'S SHARES

#### Information on the Company's shares

Type of shares	Places of listing	Stock name	Stock code	Stock name before changes
A Share	Shanghai Stock Exchange	Haitong Securities	600837	/
H Share	Hong Kong Stock Exchange	Haitong Securities	6837	/

### VI. OTHER INFORMATION OF THE COMPANY

**(I) History of the Company primarily includes reorganization, share increase, etc. in previous years.**

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

***History of Haitong Securities:***

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Upon approval by the People's Bank of China with the Reply concerning Conversion of Shanghai Haitong Securities Company (上海海通證券公司) (Yin Fu [1994] No. 5), on 27 September 1994, Shanghai Haitong Securities Company (上海海通證券公司) was converted and was renamed as Haitong Securities Company Limited (海通證券有限公司) with a registered capital of RMB1,000 million. Its scope of business was changed into issuance of securities and principal and interest repayment for securities on behalf of clients; proprietary trading and trading of securities on behalf of clients; securities custody and authentication business; receipt of principal, interest and dividends of securities on behalf of clients, and registration, transfer and clearing of securities; securities investment consultation and investment fund business; other businesses approved by the People's Bank of China.

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

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

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

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

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

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

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

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

On 9 February 2015, the Company convened the first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015, at which the Proposal on Issue of New H Shares by the Company was considered and approved. In May 2015, the Company received the Reply of Approving Additional Issue of Overseas Listed Foreign Shares by Haitong Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 811) issued by CSRC, pursuant to which the Company was allowed to issue up to 1,916,978,820 overseas listed foreign shares with a nominal value of RMB1 each (all being ordinary shares). On 8 May 2015, the Company has obtained the approval for listing of, and permission to deal in, the new H Shares from the Hong Kong Stock Exchange. The Company completed the issuance of 1,916,978,820 new H Shares on 29 May 2015, among which completion in relation to 1,048,141,220 new H Shares took place on 15 May 2015 while completion in relation to 868,837,600 new H Shares took place on 29 May 2015.

Following the completion of the issuance of new H Shares by the Company, the total number of shares of the Company was 11,501,700,000, among which 8,092,131,180 were A Shares and 3,409,568,820 were H Shares. The stock short name of H Shares is: “海通證券” (in Chinese) and “HAITONG SEC” (in English) and the stock code of H Shares is “6837”.

### (II) Organization of the Company

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

#### 1. *Organizational structure of the Company (see Appendix I of this Report)*

#### 2. *Principal holding subsidiaries and non-controlling companies*

##### (1) *HFT Investment Management Co., Ltd.*

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

Establishment date: 18 April 2003

Registered capital: RMB150 million

Shareholding percentage: 51%

Legal representative: Zhang Wenwei

Tel: 021-38650999

Scope of business: Fund raising, fund sales, asset management and other businesses permitted by the CSRC. (Businesses that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities.)

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(2) *Fullgoal Fund Management Co., Ltd.*

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

Establishment date: 13 April 1999

Registered capital: RMB180 million

Shareholding percentage: 27.775%

Legal representative: Xue Aidong

Tel: 021-20361886

Scope of business: Fund raising, fund sales, asset management and other businesses permitted by the CSRC. (Businesses that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities.)

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

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

Establishment date: 18 October 2004

Registered capital: RMB100 million

Shareholding percentage: 67%

Legal representative: Li Baoguo

Tel: 021-62883005

Scope of business: Industrial investment fund management, investment advisory and investment fund formation. (Businesses that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities.)

(4) *Haitong Futures Co., Ltd.*

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

Establishment date: 18 March 1993

Registered capital: RMB1,300 million

Shareholding percentage: 66.667%

Legal representative: Xu Ling

Tel: 021-61871688

Scope of business: commodity futures brokerage, financial futures brokerage and futures investment advisory services, asset management and fund sales. (Businesses that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities.)



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### (5) *Haitong International Holdings Limited*

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

Establishment date: 24 July 2007

Issued capital: HK\$8,850 million

Paid-in capital: HK\$8,850 million

Shareholding percentage: 100%

Tel: 852-39268888

Nature of business: Investment holdings

Scope of business: Investment holdings, engaging in brokerage, corporate financing, assets management and other businesses permitted by Hong Kong securities regulatory rules through establishment of various subsidiaries.

### (6) *Haitong Capital Investment Co., Ltd.*

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

Establishment date: 23 October 2008

Registered capital: RMB7,650 million

Shareholding percentage: 100%

Legal representative: Zhang Xiangyang

Tel: 021-63410311

Scope of business: Using its own funds or establishing direct investment funds to make equity investments and debt investments in relation to equity in enterprises or investing in other investment funds in relation to equity investments; providing investment advisory, investment management and financial advisory services on equity investments to clients; and other businesses permitted by the CSRC. (Businesses that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities.)

### (7) *Haitong Innovation Securities Investment Co., Ltd.*

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

Establishment date: 24 April 2012

Registered capital: RMB3,500 million

Shareholding percentage: 100%

Legal representative: Shi Jianlong

Tel: 021-23219000

Scope of business: Financial products investment, securities investment, investment advisory and investment management. (Businesses that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities.)

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

Establishment date: 26 June 2012

Registered capital: RMB1,200 million

Shareholding percentage: 100%

Legal representative: Pei Changjiang

Tel: 021-23219000

Scope of business: Securities asset management. (Businesses that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities.)

### (III) Numbers and distribution of securities business departments of the Company

As at the end of the Reporting Period, the Company had 27 branches and 290 securities business departments. (see Appendix II of this Report)

## VII. OTHER RELEVANT INFORMATION

Accounting firm appointed by the Company (domestic)	Name	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
	Address	4/F, No. 61 Nanjing Road East, Shanghai
	Signature of accountants	Huang Ye, Chi Yuan
Accounting firm appointed by the Company (overseas)	Name	Deloitte Touche Tohmatsu
	Address	35/F, One Pacific Place, No.88 Queensway, Hong Kong
Chief Risk Executive And General Compliance Officer	Wang Jianye	
Legal Advisor to the Company, as to PRC law	Grandall Law Firm (Shanghai)	
Legal Advisor to the Company, as to Hong Kong law	Clifford Chance	
A Share Registrar	Shanghai Branch of China Securities Depository and Clearing Corporation Limited	
H Share Registrar	Computershare Hong Kong Investor Services Limited	
Registered address of the Company	Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC	
Registration number of corporate business license	310000000016182	
Registration number of tax certificate	31010113220921X	
Organization code	13220921X	

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### VIII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE GROUP OVER THE PAST THREE YEARS AS AT THE END OF THE REPORTING PERIOD

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

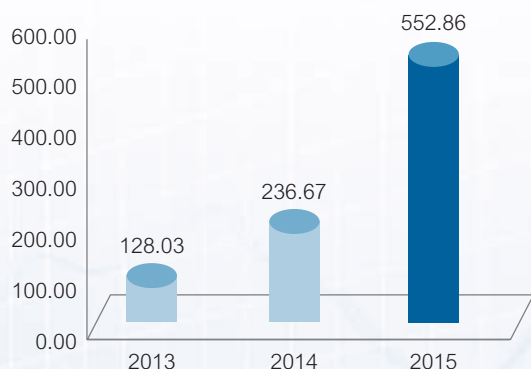
#### (I) Major accounting data

Items	2015	2014	Unit: '000 Currency: RMB	
			As compared to the last corresponding period	2013
<b>Operating results (RMB'000)</b>			<i>Change</i>	
Revenue and other income	<b>55,285,553</b>	23,666,866	133.60%	12,802,734
Profit before income tax	<b>21,118,869</b>	10,420,394	102.67%	5,454,748
Profit for the year – attributable to owners of the Company	<b>15,838,851</b>	7,710,623	105.42%	4,035,024
Net cash (used in)/from operating activities	<b>-33,989,522</b>	-29,338,392	15.85%	-18,841,821
Other comprehensive income (expense)	<b>695,633</b>	283,027	145.78%	-80,683
<b>Earnings per share (RMB/share)</b>			<i>Increase</i>	
Basic earnings per share	<b>1.48</b>	0.8	85.00%	0.42
Diluted earnings per share	<b>1.48</b>	0.8	85.00%	0.42
<b>Index of profitability</b>			<i>Increase</i>	
Weighted average returns on net assets (%)	<b>17.56</b>	11.88	5.68 percentage points	6.70
Items	31 December 2015	31 December 2014	As compared to the end of the last corresponding period	
<b>Indices of size (RMB'000)</b>			<i>Increase</i>	
Total assets	<b>576,448,892</b>	352,622,149	63.47%	169,123,603
Total liabilities	<b>459,521,221</b>	280,357,946	63.91%	105,018,445
Accounts payable to brokerage clients	<b>129,026,336</b>	80,766,843	59.75%	40,429,567
Equity attributable to owners of the Company	<b>107,694,545</b>	68,364,431	57.53%	61,506,991
<b>Total share capital ('000)</b>	<b>11,501,700</b>	9,584,721	20.00%	9,584,721
<b>Net assets per share attributable to owners of the Company (RMB/share)</b>			<i>Increase</i>	
	<b>9.36</b>	7.13	31.28% 0.45 percentage points	6.42
<b>Gearing ratio (%)<sup>(1)</sup></b>	<b>73.87</b>	73.42		50.19

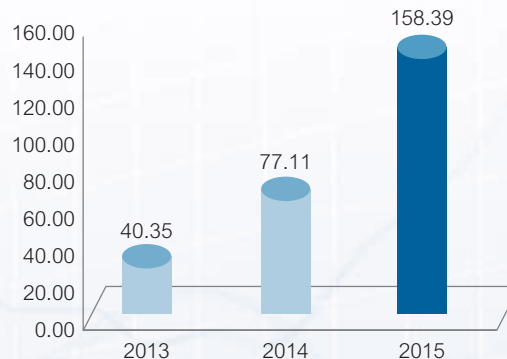
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

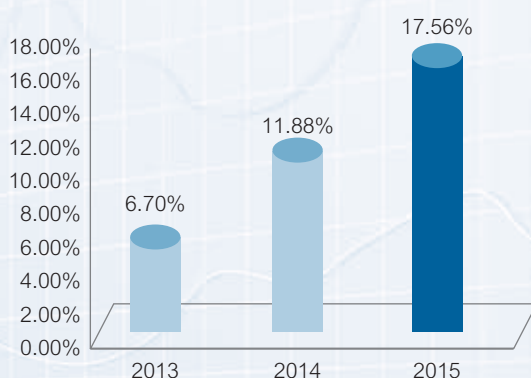
**Revenue and other income  
(RMB in 100 million)**



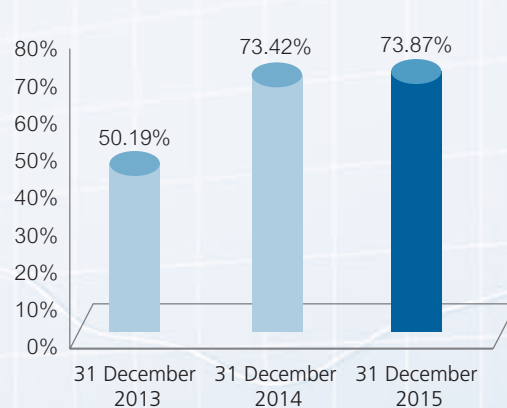
**Profit for the year attributable  
to owners of the Company  
(RMB in 100 million)**



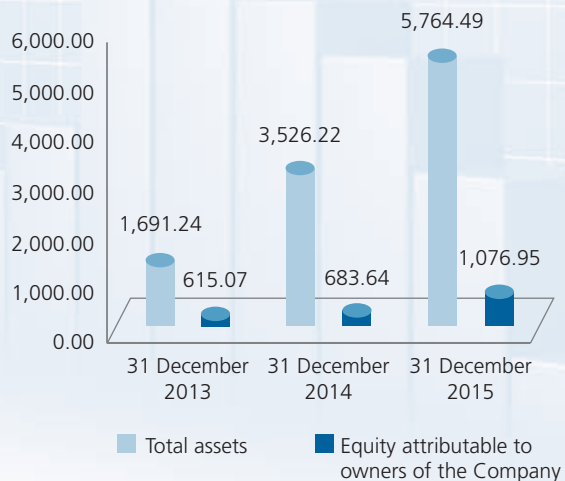
**Weighted average returns on net assets**



**Gearing ratio**



**Indexes of size  
(RMB in 100 million)**



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### (II) Major accounting data and financial indicators over the past five years (Unit: RMB'000)

#### 1. Profitability

	2015	2014	2013	2012	2011
Revenue and other income	55,285,553	23,666,866	12,802,734	10,743,347	10,860,374
Total expenses	34,648,129	13,413,806	7,464,926	6,681,975	6,633,122
Profit before income tax	21,118,869	10,420,394	5,454,748	4,127,238	4,300,164
Profit for the year attributable to owners of the Company	15,838,851	7,710,623	4,035,024	3,037,542	3,103,034

#### 2. Assets

	31 December 2015	31 December 2014	31 December 2013	31 December 2012	31 December 2011
Total assets	576,448,892	352,622,149	169,123,603	126,482,104	98,976,911
Total liabilities	459,521,221	280,357,946	105,018,445	66,051,508	52,366,269
Accounts payable to brokerage clients	129,026,336	80,766,843	40,429,567	36,956,823	38,013,807
Equity attributable to owners of the Company	107,694,545	68,364,431	61,506,991	58,679,683	45,042,375
Share capital	11,501,700	9,584,721	9,584,721	9,584,721	8,227,821

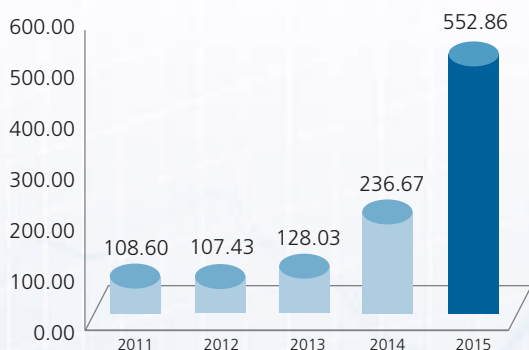
#### 3. Critical financial indicators

	2015	2014	2013	2012	2011
Dividend per share					
Basic earnings per share	1.48	0.80	0.42	0.33	0.38
Diluted earnings per share	1.48	0.80	0.42	0.33	0.38
Weighted average returns on net assets (%)	17.56	11.88	6.70	5.66	6.93
Gearing ratio (%) <sup>(1)</sup>	73.87	73.42	50.19	32.50	23.54
Net assets per share attributable to owners of the Company (RMB/share)	9.36	7.13	6.42	6.12	5.47

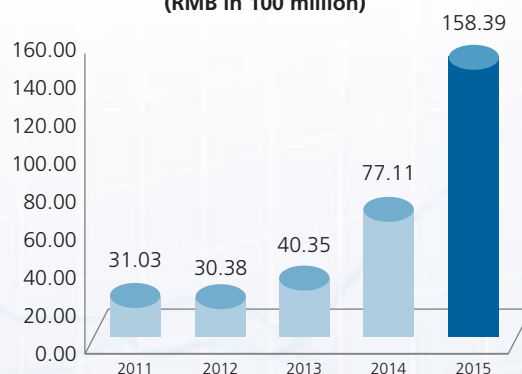
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

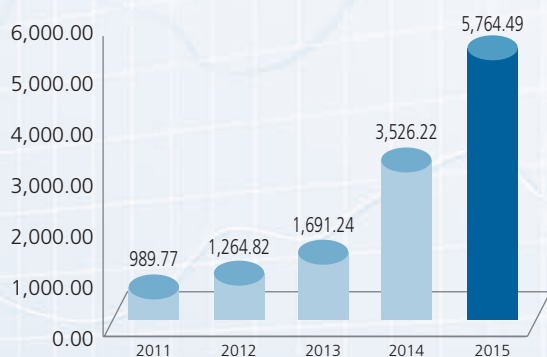
**Revenue and other income  
(RMB in 100 million)**



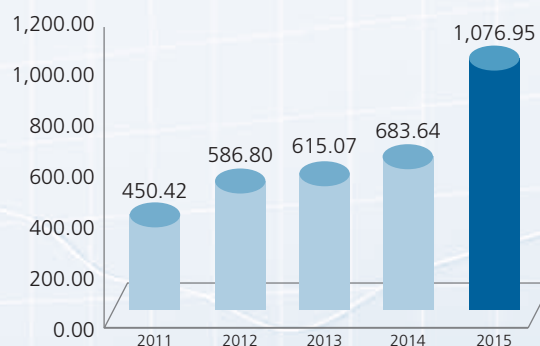
**Profit for the year attributable to  
owners of the Company  
(RMB in 100 million)**



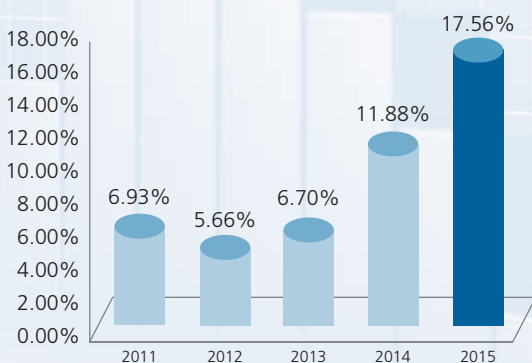
**Total assets  
(RMB in 100 million)**



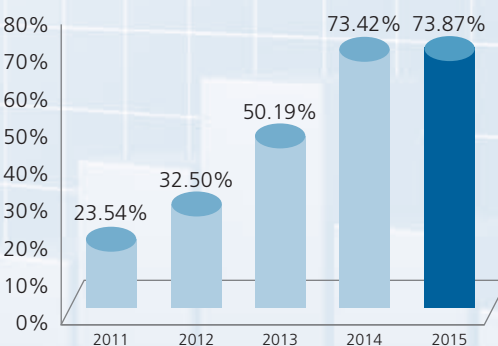
**Equity attributable to owners  
of the Company (RMB in 100 million)**



**Weighted average returns on net assets**



**Gearing ratio**



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### (III) Differences between IFRS and PRC GAAP

The net profits for the year 2015 and 2014 and the net assets as at 31 December 2015 and 31 December 2014 as stated in the consolidated financial statements of the Group prepared in accordance with PRC GAAP are consistent with those in accordance with IFRS.

### (IV) The Net Capital and Relevant Risk Control Indicators of the Company

As at 31 December 2015, the net capital of the Company was RMB85,521 million based on calculation in accordance with the PRC GAAP, representing an increase of RMB48,411 million as compared to the net capital of RMB37,110 million as at the end of prior year. During the Reporting Period, all risk control indicators including net capital of the Company met the regulatory requirements.

Items	Unit: RMB'000	
	31 December 2015	31 December 2014
Net capital	<b>85,521,155</b>	37,110,256
Net assets	<b>101,119,681</b>	65,022,464
Net capital/total of risk capital reserves	<b>1,269.37%</b>	819.66%
Net capital/net assets	<b>84.57%</b>	57.07%
Net capital/liabilities	<b>44.59%</b>	26.71%
Net assets/liabilities	<b>52.72%</b>	46.80%
Proprietary equity securities and securities derivatives/net capital	<b>46.93%</b>	61.21%
Proprietary fixed income securities/net capital	<b>68.63%</b>	78.78%

Note: The above data are calculated based on the financial information prepared in accordance with PRC GAAP.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

### I. PARTICULARS OF THE PRINCIPAL BUSINESSES ENGAGED BY THE COMPANY, OPERATING MODELS AND INDUSTRIAL STATUS DURING THE REPORTING PERIOD

#### (1) Principal businesses and operating models of the Company during the Reporting Period

The Company is principally engaged in the securities and futures brokerage business, investment banking business, proprietary trading business, direct investment business, asset management business, financing lease business and overseas business.

Securities and futures brokerage business refers to acting trading securities and futures for customers based on their engagement and requirement in return for customers' commission. The Company's clients range from retail customers, high net worth individuals, enterprises, and financial institutions. The Company provides tailor-made and comprehensive service solutions based on the differentiated requirements of various kinds of customers.

Investment banking business refers to the provision of intermediary services for enterprises that raise long-term capital by ways of share and bond issuance in the capital market, and the provision of financial consultancy services for the optimization of corporate capital structure, consolidation of industries and facilitation of business transformation. Such service is charged according to the contract. Based on the business nature, the Company sub-divides the investment banking business into equity financing business, debt financing business, M&A financing business, the National Equities Exchange and Quotations ("NEEQ") and structural financing business, and is committed to provide a one-stop onshore and offshore investment banking business.

Proprietary trading business refers to the utilization of the Company's own capital as principal in the capital market with an aim of generating investment revenue. Based on the investment targets, the investment business is sub-divided into equity investment, fixed-income investment and alternative investment.

Direct investment business refers to the Company's investment in the equity interests of non-public companies with its own capital as the principal, and obtaining return by the disposal of its equity interests upon listing or acquisition in the future.



## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

Asset management business refers to the Company's provision, as an asset manager, of investment management services for the assets and investments of the customers such as securities and other financial products in accordance with the methods, terms, requirements and limitations as set forth in the asset management contract. The scope of HT Asset Management's asset management services covers targeted business, collective business, project-based business, QDII business and innovative business. The principal businesses of HFT Investment and Fullgoal Fund include management of mutual fund (including QDII), corporate annuity, the NSSF and asset management for specific customers, providing professional fund investment services for investors; the Company also owns a number of professional private equity investment platforms, providing services such as industrial investment fund management, investment consultation and promotion and establishment of investment funds.

Financing lease business refers to the delivery of use right of a specific commodity by the Company as a lessor to the lessee in return for fees paid by the lessee. The leasing business is operated mainly by Haitong UT. Haitong UT conducts its business in various domains including education, healthcare, energy saving and environmental protection, information technology, agriculture and forestry and food, machinery processing, electronics and micro-and-small enterprises, and, by leveraging on its extensive industrial experience and market channels, collaborates with domestic and foreign renowned equipment manufacturers, to provide all-round financing solutions and services for its customers' business development. In the last two years, Haitong UT proactively explored the financing lease model with characters of securities firms, and launched a diversified product portfolio combining both equity and debt investments, to provide more innovative structural financing solutions to customers.

The overseas business of the Company is mainly carried out by Haitong International Securities and Haitong Bank. The core business of Haitong International Securities covers corporate financing, brokerage and margin financing, investment management, fixed income, foreign exchange and commodity, structural investment and financing, cash and stocks as well as stock derivatives, serving both global and local customers that fall into three main categories, namely enterprises, institutional customers and retail customers. With 25 years of experience in providing comprehensive investment banking services to global enterprises and institutional customers, Haitong Bank conducts its business mostly in Portugal, Brazil, India, Mexico, Portland, Spain, the United Kingdom and the United States of America, with specialties in securities, research, capital market, merger and acquisition, financial consultancy and project financing, etc. In addition, the Company's support for Haitong Bank's cross-border business also enriches its cross-border network, bringing in more business development opportunities.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

### (2) Development stage and periodic characteristic of the Company's industry and its position during the Reporting Period

In 2015, the securities market was volatile with SSE Composite Index and SZSE Composite Index reaching the maximum amplitude of 71.95% and 81.27% respectively. Compared with the end of 2014, the closing prices of SSE Composite Index and SZSE Composite Index at the end of 2015 represent an increase of 9.41% and 63.15%, respectively. Both Shanghai and Shenzhen markets were active, as shown by the average daily trading volume of RMB1,050,000 million, a historical record, representing a year-on-year increase of 244%. The capital market is critical to promoting structural adjustment for public fund-raising and economical transformation. Total assets, net assets, income and net profit of the securities industry continued to rise rapidly, with the interest income from margin financing and securities lending and net income from asset management business increased by 25 times and 9 times respectively over 2012, thus becoming the new drivers of the industry. Following the launch of various businesses including financing business, alternative investment, structural products, financial futures and options, OTC derivatives, the industry has seen enrichment in serving methods for its customers, improving product design and pricing capabilities and attaining substantial enhancement of the comprehensive financial service capacity. In 2016, with the deepening of the supply-side reform and SOE reform, the steady implementation of the issuance system reform, increasing demand for public fund raising, and continuous allocation of residents' major assets to financial assets, the securities industry is presented with a better development opportunity, meanwhile the securities industry also faces challenges including the reducing trading volume, intensifying competition in financing business, and the slowing down of industrial innovation. In 2015, the Company adhered to the development strategy of "One Body, Two Wings (一體兩翼)", meticulously operated the traditional businesses while dedicatedly pursuing the innovative businesses, and steadily promoted international deployment. As at the end of 2015, the market ranking of principal businesses, capital scale and profit-making capability of the Company remained in the forefront of the industry.

### II. SIGNIFICANT CHANGES OF THE COMPANY'S MAJOR ASSETS DURING THE REPORTING PERIOD

For changes in major assets which accounted for over 5% of the total assets as at the end of the Reporting Period and range of such change during the Reporting Period exceeded 30%, please see item no. 5. "Analysis on principal components of consolidated statement of financial position" under paragraph II in Section IV for details.

Of which: off-shore assets (including investments accounted for using equity method) of RMB116,367,826 thousand, accounting for 20.19% of the total assets.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

### III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

#### (1) Solid capital strength

The Company has taken the market opportunities and strengthened its capital strength rapidly through several strategic equity financing and bond financing from 2007 to 2015. The Company completed private placement of new H Shares in 2015, further strengthening its capital strength. The Company has also successfully issued two tranches of subordinated bonds and one tranche of short-term corporate bonds, and, together with various approaches including income receipts, U.S. dollar denominated bonds and debt usufruct transfer, provided sufficient capital assurance for implementation of its business development and major business strategies. The Company ranked the second among all securities firms in the PRC from 2009 to 2015 in terms of total assets and net assets respectively. Sufficient capital provided the Company with first-mover advantage with regard to implementing business transformation and accelerating business innovation.

#### (2) Unique integrated business platform

The Company has developed into a financial service conglomerate covering various businesses including brokerage, investment banking, asset management, direct equity investment, alternative investment and financing lease. The Company has strong customer base in brokerage business, high market influence in investment banking business, increasing size in asset management business, and top market ranking in innovative business. A consolidated financing platform possesses strong scale effects and cross-selling potential, and has provided powerful support for its business development.

#### (3) Extensive branch network with a substantial and stable customer base

The Company has speeded up its new network layout. As at 31 December 2015, the Company had 328 securities and futures business departments (including 290 securities business departments and 38 futures business departments) spanning across 30 provinces, direct-controlled municipalities and autonomous regions in the PRC, as well as branches and subsidiaries in 13 countries and regions including Hong Kong, Macau, Europe, North America, South America and South Asia. Leveraging on its branch network across China and strategic international network, the Company has built a large and stable customer base. As at 31 December 2015, the Company had over 7.7 million customers onshore and offshore.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

### **(4) Leading innovation ability in the market**

The Company always treats innovation as the key driving force in promoting strategic transition. In recognition of its strong capital position, effective risk management and proven execution capabilities, the Company is frequently designated by the regulatory authorities as the first few securities firms to participate in pilot programs for new businesses. The Company has maintained its leading positions in innovative businesses such as clients' financing business and OTC business, etc. In addition, the Company accelerated the pace of self-independent innovation, and continuously provided innovative business solutions and enriched its serving methods for onshore and offshore customers. The proportion of revenue generated from innovative businesses continued increasing, and has exceeded 35% in 2015, which effectively offset the adverse effect by the revenue decrease in traditional businesses.

### **(5) International business platform leading the industry**

The Company has taken the lead in establishing an international business platform by acquiring and consolidating Haitong International Securities and Haitong Bank and setting up a branch in the free trade zone in China. Various financial indicators of Haitong International Securities rank top among those of Chinese securities firms in Hong Kong, and the number of equity financing projects ranked the second among the investment banks based in Hong Kong. Haitong Bank is a leading investment bank in Portuguese-speaking and Spanish-speaking regions, its business covering 11 countries and regions in Europe, America, South America and South Asia, ranking the first in Portugal in terms of number of merger and acquisition projects and transaction amount. As the first securities institution that enters the FTU system of the free trade zone, the branch in the free trade zone in China is the first Chinese securities firm that has successfully implemented a cross-border financing project under FT. Benefiting from the all-round international business platform leading the industry, the Company will capture the increasing opportunities of cross-border business, satisfy the demands for cross-border business of its customers and improve its international influence.

### **(6) Sound corporate governance and effective risk management and internal control systems**

The Company has adhered to the mindset of "proper and even conservative risk control" and has navigated through several market and business cycles, regulatory reforms and industry transformations and developments over its 27 years of operation history. The Company is the only major PRC securities firm founded in the 1980s that remains in operation and retains the same brand without receiving government-backed capital injections or being acquired or restructured. The Company keeps improving its existing risk control system to effectively manage market risk, credit risk, liquidity risk and operational risk. The Company has also established effective Chinese walls and precautionary mechanisms across its business lines to prevent potential conflicts of interests. In addition, the Company has established an independent and centralized internal audit and compliance system, in order to effectively monitor its operations and transactions.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### I. MANAGEMENT DISCUSSION AND ANALYSIS

In 2015, under the leadership of the Board of Directors, the management team, who aimed to accomplish the targets set down at the beginning of the year, enabled all its business segments to maintain a good momentum of rapid growth by carefully evaluating the development trend of the industry where it operates and exploiting the opportunities arising from China's economic transformation through reform, rapid development of the capital market and the flow of residents' major assets to equity market to overcome the severe market volatility in line with the Company's overall development strategy. All the Company's major financial indicators such as total assets, net assets, operating income and net profit, have hit new record highs, and all its major business indicators remained in the forefront of the industry. The Company further enhanced its capital strength was through a private placement of new H Shares, issuance of subordinated bonds, short-term corporate bonds, income receipts and U.S. dollar denominated bonds and debt usufruct transfer; further optimized its organizational structure and expanded its business deployment in a new industrial environment while proceeding with resources integration. The Internet-based business development met with agreeable results, with the online and offline synergy further improved, resulting in growth of the customer base. Our capital intermediary business experienced a rapid growth with significant increase in revenues. The investment business delivered satisfactory income by dodging risks. The Company's asset management segments maintained their development momentum on the balance, and expanded their asset size significantly. The overseas business also reported the best results in history, revealing the benefit of internationalization.

### II. OPERATIONS DURING THE REPORTING PERIOD

As at the end of December 2015, the total assets of the Group amounted to RMB576.4 billion, and equity attributable to owners of the Company were RMB107.7 billion. In 2015, the Group realized a revenue of RMB55.3 billion, representing a year-on-year increase of 134%. Net profit attributable to owners of the Company was RMB15.8 billion, representing a year-on-year increase of 105%. The weighted average return on net assets was 17.56%, representing a year-on-year increase of 5.68 percentage points.

#### Statement of the Principal Business of the Group

*Unit: RMB'000*

Item	Segment income	Segment expense	Segment profit margin	Segment income movement as compared to last year	Segment expense movement as compared to last year	Segment profit margin movement as compared to last year
Securities and futures brokerage business	27,875,640	16,555,793	40.61%	166.78%	165.14%	Increasing by 0.37 percentage points
Asset management business	3,578,271	1,806,550	49.51%	80.78%	116.38%	Decreasing by 8.31 percentage points
Proprietary trading	9,744,544	4,212,410	56.77%	140.20%	300.84%	Decreasing by 17.33 percentage points
Investment banking business	1,864,279	820,737	55.98%	39.23%	14.48%	Increasing by 9.52 percentage points
Direct investment business	974,765	202,768	79.20%	210.09%	210.51%	Decreasing by 0.03 percentage points
Financing lease business	2,665,688	2,002,258	24.89%	54.85%	66.26%	Decreasing by 5.15 percentage points
Overseas business	6,002,427	3,937,510	34.40%	137.35%	139.17%	Decreasing by 0.5 percentage points

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (I) Analysis of principal operations

- ***Securities and futures brokerage business***

The Company registered the biggest revenue from brokerage business in history by exploiting the market opportunities and improving fundamental management and service quality from time to time. The Company gained 2.45 million new customers during the year, with a 5.02% market share in terms of stock and fund transaction value, ranking third in the industry.

During the year, the Company acquired 34,500 new margin financing and securities lending accounts (an increase of 39.06%), with the total transaction volume of margin financing and securities lending business amounting to RMB8.25 trillion, and 27,600 new stock pledge customers (an increase of 243.13%), with the average daily trading volume of its financing business hitting RMB131,726 million (an increase of 191.24%), ranking the first in the industry.

The Company strived to expand its retail customer base by various means, such as strengthening cooperation with the Internet companies, improving relationship with traditional banks and motivating its marketing team to improve their performance. The Company also took active steps to enhance the appropriateness management of customers and increase the coverage and effectiveness ratios of its investor risk assessment mechanism to ensure that the financial products being sold conform to the investor risk rating. The Company also strived to enhance its customer service for corporate and high net worth individuals through comprehensive financial services such as investment and financing, transaction and custody so as to further fortify the strategic relationship with major clients.

The Company's research institute won the second places in the "Best Local Research Team" and the "Most Influential Research Institute" selections in 2015 sponsored by New Fortune Magazine, and ranked the first in seven research subjects, namely fixed income, petrochemical, nonferrous metal, automobiles, new energy and power equipment, wholesale and retail trade, and pharmacy.

The Company's futures business maintained a rapid growth, and registered a transaction amount of RMB33 trillion, representing a year-on-year increase of 69%, and a customer interest of RMB22.6 billion, representing a year-on-year increase of 97%, for which it had been rated as a "Category AA" company in industrial classification rating for two consecutive years.

In 2015, securities and futures brokerage business achieved a total profit of RMB11,320 million, accounting for 53.6%.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

- ***Investment banking business***

The investment banking business leveraged on the prosperous market while constantly expanding its professional team and accelerating market penetration. The equity financing business completed 37 projects as lead underwriter with a total underwritten amount of RMB50.8 billion. The debt financing business completed 66 projects as lead underwriter with a total underwritten amount of RMB150.0 billion. It acted as the lead underwriter for the “14 Sui Thermal Power Project Yield Bond”, which was granted the third-class Award for 2015 Shanghai Financial Innovation. The M&A financing business completed 22 projects in relation to material asset restructuring with a total transaction amount of RMB147.8 billion. The NEEQ business completed 65 listing projects and 47 projects in relation to private placing for NEEQ listed companies, with a total private placing amount of RMB3.25 billion. The asset-backed securitization business completed 9 projects, with a total financing amount of RMB12.85 billion.

In 2015, investment banking business achieved a total profit of RMB1,044 million, accounting for 4.9%.

- ***Proprietary trading***

The equity investment business took prudent steps in making investments and achieved satisfactory results. The Group issued its first structured notes linked with the Chinese equity index in the overseas market, indicating a rapid development of cross-border business.

The fixed income investment business continued to promote the FICC business, with aggressive expansion into treasury bond futures arbitrage business, gold leasing business and interest rate swap business. The cross-border business remained in the forefront of the industry, pumping through the two-way investment channels.

The alternative investment business innovated its business models by focusing on the development of bridge financing, private placing investment and financing as well as M&A financing.

In 2015, proprietary trading business achieved a total profit of RMB5,532 million, accounting for 26.2%.

- ***Direct investment business***

In 2015, direct investment business completed 28 investment projects, with an aggregate investment amount of RMB1.7 billion, representing a year-on-year increase of 40%.

In 2015, direct investment business achieved a total profit of RMB971 million, accounting for 4.6%.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

- ***Asset management business***

HT Asset Management reported total assets under management of RMB437.8 billion, representing a year-on-year increase of 49%, assets applying active management approach exceed RMB100.0 billion, representing a year-on-year increase of 100%. Fullgoal Fund had total assets under management of RMB343.7 billion, representing a year-on-year increase of 93%. HFT Investment had total assets under management of RMB155.8 billion, representing a year-on-year increase of 44%.

The Company established Haitong Xinchuang as its joint venture, and currently has 7 PE asset management companies, with total assets under management of RMB17.9 billion, representing a year-on-year increase of 17%, and 174 invested projects.

In 2015, asset management business achieved a total profit of RMB1,772 million, accounting for 8.4%.

- ***Financing lease business***

Haitong UT maintained the parallel development of the traditional and innovative financing lease services, and accomplished a lease sales of RMB18.6 billion in the year, with an operating income of RMB2,608 million, a net profit of RMB523 million and total assets as at the end of 2015 of RMB34,249 million. It launched its first Internet leasing product “Che Rong Bao (車融寶)” in cooperation with leading logistic e-commerce platforms in China and, and increased investment in the high-yield but less risky businesses, such as financing to micro and small businesses and car rental. It aggressively expanded its financing channels, completed its first syndicate loan of RMB2.1 billion in the financing lease industry under FT in the free trade zone, the first tranche asset-backed securitization project of RMB1.36 billion, and issuance of dim sum bonds of RMB1.0 billion, with total assets amounting to RMB34.2 billion at the end of the year, and was rated as AA+ PRC company.

In 2015, financing lease business achieved a total profit of RMB663 million, accounting for 3.1%.

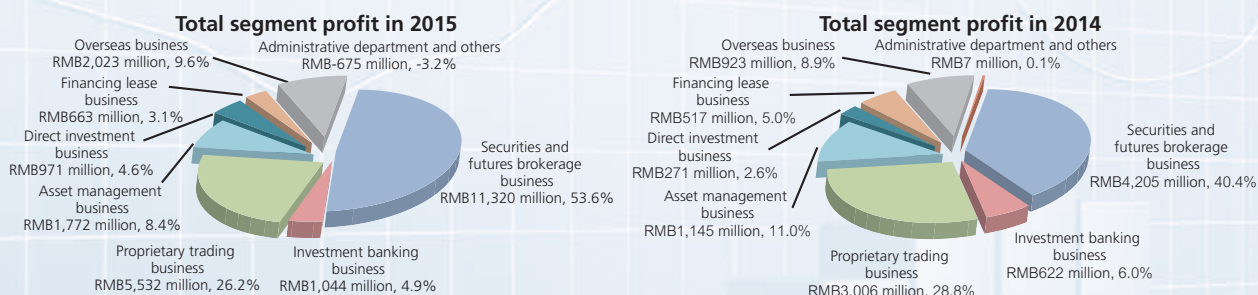


## SECTION IV REPORT OF THE BOARD OF DIRECTORS

- **Overseas business**

The operating results of Haitong International Securities topped record level, securing its leading position among the PRC securities firms in Hong Kong. It took advantage of the market opportunities to complete the capital complementation, with its net assets ranking the first among the PRC securities firms in Hong Kong. Haitong International Securities' investment banking business also rendered brilliant results, completed 53 equity financing projects and 27 debt financing projects. It focused on RMB denominated products and established a Chinese-style FICC transaction platform, making it one of the biggest securities market makers in Hong Kong. With the successful acquisition, handover, renaming of and capital increase in Haitong Bank, Haitong International Holdings, a wholly owned subsidiary of the Company, further extended its coverage and secured its leading position in the race of internationalization. The share transfer and settlement for Haitong International Holdings' acquisition of Haitong Bank was completed on 7 September 2015. In the same month, Haitong Bank resumed its BB- rating by Standard and Poor's, which is the highest in Portuguese banking industry. As at the end of 2015, Haitong Bank had total assets of 4.17 billion euros, and net assets of 430 million euros. Haitong Bank was included in the consolidated financial statement of the Company since September 2015, and contributed 38 million euros to the revenue of the Company from September to December 2015.

In 2015, overseas business achieved a total profit of RMB2,023 million, accounting for 9.6%.



Note: the percentages are calculated by the total profit from segment share of the profit before income tax after elimination.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (II) Details of principal items in the consolidated statement of profit or loss

#### 1. Revenue and other income

In 2015, the total revenue and other income realized by the Group amounted to RMB55,286 million, representing an increase of RMB31,619 million or 133.60%. This was mainly due to the Group's consolidation and promotion of its market position in traditional business while accelerating the development of its capital intermediary business, with its brokerage and proprietary trading business scoring brilliant results. The revenue from its innovative business has been constantly rising, while the margin financing business and stock pledge business have accounted for 36% of the Group's total revenue, representing a year-on-year increase of 6 percentage points, of which:

- Commission and fee income amounted to RMB21,813 million, accounting for 39.45% of total revenue and other income and representing an increase of 129.22% as compared to the corresponding period of last year, mainly due to the increase in the transaction volume in the stock market as well as the market share of the Company's brokerage business, and the commission income from brokerage charges recorded a significant increase as compared to last year. At the same time, asset management business and investment banking business fully exploited the opportunities arising in the market with its overseas subsidiaries operating in synergy, and achieved increases in the income from asset management and securities underwriting compared to last year;
- Interest income amounted to RMB18,322 million, accounting for 33.14% of total revenue and other income and representing an increase of 137.95% as compared to last year, mainly due to the Group's effective exploitation of its capital advantages to further expand the scale of its capital intermediary business, with aggressive promotion of the margin financing and securities lending, stock pledge and Hong Kong margin financing and securities lending business, and constant improvement on the capital utilization efficiency, leading to a considerable increase in interest income;
- Net investment gains amounted to RMB11,057 million, accounting for 20.00% of total revenue and other income and representing an increase of 93.69% as compared to last year, mainly because proprietary trading business fully exploited the volatile market conditions in 2015, and achieved good results;
- Other income and gains amounted to RMB4,094 million, accounting for 7.40% of total revenue and other income and representing an increase of 451.67% as compared to the corresponding period of last year, mainly due to the increase in the sales revenue of the Company's subsidiaries.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

### Composition of revenue

*Unit: RMB'000*

Item	January – December 2015		January – December 2014		Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Percentage
Commission and fee income	21,812,616	39.45%	9,516,170	40.21%	12,296,446	129.22%
Interest income	18,322,037	33.14%	7,699,971	32.53%	10,622,066	137.95%
Net investment gains	11,057,133	20.00%	5,708,662	24.12%	5,348,471	93.69%
Other income and gains	4,093,767	7.41%	742,063	3.14%	3,351,704	451.67%
Total revenue and other income	55,285,553	100.00%	23,666,866	100.00%	31,618,687	133.60%

### 2. Total expenses

In 2015, total expense of the Group amounted to RMB34,648 million, representing an increase of 158.30% as compared with last year, which was mainly due to the increase in interest expense, staff cost and other expenses, of which:

- The interest expenses amounted to RMB13,566 million, representing an increase of 212.58% as compared to last year, which was mainly due to the issuance of more corporate bonds, subordinated bonds and income receipts and the increased size of financial assets sold under repurchase agreements as part of the efforts (including replenishing equity capital) to serve the purpose of expanding the financing business. Meanwhile, the Group acquired Haitong Bank during the year, leading to higher interest expenses;
- The staff costs amounted to RMB7,830 million, representing an increase of 89.52% as compared to last year, which was mainly due to an increase in staff cost in line with the expansion in total asset size and scope of consolidation of the Group;
- Other expenses mainly comprised operating expenditure, business tax and surcharges, as well as asset impairment losses, etc. Other expenses for the Reporting Period amounted to RMB9,110 million, representing an increase of 170.93% as compared to last year, which was mainly due to the increase in business tax, cost of sales of subsidiaries and various expenses in line with the expansion in the scale of operation and scope of consolidation.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

The components of total expenses of the Group in 2015 are shown as below:

*Unit: RMB'000*

<b>Total expenses</b>	<b>2015</b>	2014	Increase/Decrease	
			Amount	Percentage
Staff costs	<b>7,829,712</b>	4,131,308	3,698,404	89.52%
Interest expenses	<b>13,566,443</b>	4,340,189	9,226,254	212.58%
Brokerage transaction fees and expenses of other services	<b>2,650,022</b>	868,022	1,782,000	205.29%
Commission to account executives	<b>1,192,138</b>	427,497	764,641	178.86%
Depreciation and amortization	<b>299,962</b>	284,304	15,658	5.51%
Other expenses	<b>9,109,852</b>	3,362,486	5,747,366	170.93%
<b>Total</b>	<b>34,648,129</b>	13,413,806	21,234,323	158.30%

### 3. *Public welfare contributions*

During 2015, the Group contributed RMB6,143 thousand in total in public welfare areas including environmental protection projects, disaster relief donations, education subsidies and charity donations.

#### **Breakdown of public welfare contributions for 2015**

*Unit: RMB'000*

<b>Item</b>	<b>Amount during the period</b>
Charity donations	5,554
Others	589
<b>Total</b>	<b>6,143</b>

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 4. Cash flows

In 2015, the Group's cash and cash equivalents recorded a net increase of RMB27,122 million, in which:

- (1) the net cash used in operating activities was RMB33,990 million, which was mainly due to the effect of cash outflow of RMB57,114 million as a result of the movement in the working capital of the Group. The decrease in the working capital of the Group was mainly attributable to:
  - cash outflow of RMB25,082 million due to increase in advances from customers and financial assets held under resale agreements;
  - cash outflow of RMB31,338 million due to a net increase in financial assets and liabilities at fair value through profit or loss;
  - cash outflow of RMB7,456 million due to expansion of the business scale of Haitong UT;

The above cash outflow was partially offset by the cash inflow of RMB20,055 million as a result of the increase of financial assets sold under repurchase agreements.

- (2) Net cash used in investing activities was RMB35,966 million, mainly due to the increase in available-for-sale investments and loan and receivable investments.
- (3) Net cash from financing activities was RMB97,078 million, including cash inflow of RMB25,973 million from private placement of new H Shares and RMB71,751 million from the Group's borrowings and issuance of bonds.

### 5. Analysis on principal components of consolidated statement of financial position

As at 31 December 2015, the total assets and the liabilities of the Group amounted to RMB576,449 million and RMB459,521 million, representing an increase of 63.47% and 63.91% compared with those at the beginning of the year respectively. Among the current assets, bank balance and cash and clearing settlement funds of the Group represented 31.04% of its total assets; financial assets at fair value through profit or loss, derivative financial assets, available-for-sale investments, loan and receivable investments represented 22.67% of its total assets; advances to customers on margin financing represented 13.24% of its total assets; financial assets held under resale agreements represented 10.45% of its total assets; while property and equipment represented 0.23% of its total assets only. The assets of the Group were in reasonable structure with stronger liquidity.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

The following table sets forth the principal components of the Group's consolidated statement of financial position:

	2015		2014		Unit: RMB'000	
	31 December	Composition	31 December	Composition	Increase/Decrease Amount	Percentage
<b>Non-current assets</b>	<b>102,682,965</b>		48,996,084		53,686,881	109.57%
Of which: Finance lease receivables	17,472,135	3.03%	12,826,397	3.64%	4,645,738	36.22%
Available-for-sale investments	33,445,224	5.80%	8,714,786	2.47%	24,730,438	283.78%
Other loans and receivables	4,668,075	0.81%	4,470,404	1.27%	197,671	4.42%
Financial assets at fair value through profit or loss	7,774,533	1.35%	1,527,382	0.43%	6,247,151	409.01%
Investments accounted for using equity method	5,136,607	0.89%	5,686,141	1.61%	-549,534	-9.66%
Financial assets held under resale agreements	17,223,078	2.99%	10,292,634	2.92%	6,930,444	67.33%
Property and equipment	1,317,178	0.23%	1,210,145	0.34%	107,033	8.84%
Loans and advances	5,648,299	0.98%	-	-	5,648,299	100.00%
Goodwill	3,757,597	0.65%	2,600,616	0.74%	1,156,981	44.49%
<b>Current assets</b>	<b>473,765,927</b>		303,626,065		170,139,862	56.04%
Of which: Bank balance and cash	163,191,220	28.31%	85,703,611	24.30%	77,487,609	90.41%
Clearing settlement funds	15,747,116	2.73%	14,818,876	4.20%	928,240	6.26%
Financial assets at fair value through profit or loss	102,665,873	17.81%	55,630,844	15.78%	47,035,029	84.55%
Advance to customers on margin financing	76,324,967	13.24%	64,883,359	18.40%	11,441,608	17.63%
Accounts receivable	6,263,868	1.09%	4,384,354	1.24%	1,879,514	42.87%
Financial assets held under resale agreements	60,245,770	10.45%	52,873,455	14.99%	7,372,315	13.94%
Finance lease receivables	9,921,752	1.72%	7,399,072	2.10%	2,522,680	34.09%
Available-for-sale investments	11,045,127	1.92%	3,990,608	1.13%	7,054,519	176.78%
Deposits with exchanges	5,275,772	0.92%	5,495,664	1.56%	-219,892	-4.00%
Derivative financial assets	3,428,166	0.59%	642,211	0.18%	2,785,955	433.81%
Other loans and receivables	13,524,326	2.35%	3,347,033	0.95%	10,177,293	304.07%
<b>Total assets</b>	<b>576,448,892</b>		352,622,149		223,826,743	63.47%

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

	2015		2014		Increase/Decrease	
	31 December	Composition	31 December	Composition	Amount	Percentage
<b>Current liabilities</b>	<b>336,022,549</b>		221,124,256		114,898,293	51.96%
Of which: Accounts payable to						
brokerage clients	129,026,336	28.08%	80,766,843	28.81%	48,259,493	59.75%
Financial assets sold under						
repurchase agreements	90,951,854	19.79%	59,807,864	21.33%	31,143,990	52.07%
Borrowings	31,284,497	6.81%	19,807,574	7.07%	11,476,923	57.94%
Placements from banks and						
other financial institutions	1,512,362	0.33%	14,270,000	5.09%	-12,757,638	-89.40%
Financial liabilities at						
fair value through						
profit or loss	24,837,241	5.41%	14,781,559	5.27%	10,055,682	68.03%
Derivative financial liabilities	3,718,116	0.81%	246,986	0.09%	3,471,130	1,405.40%
Other payables and accruals	15,504,612	3.37%	7,697,576	2.75%	7,807,036	101.42%
Short-term financing bills						
payables	22,336,951	4.86%	22,926,586	8.18%	-589,635	-2.57%
Customer accounts	2,098,115	0.46%	-	-	2,098,115	100.00%
Tax liabilities	3,895,438	0.85%	816,775	0.29%	3,078,663	376.93%
Bonds payable	10,793,748	2.35%	-	-	10,793,748	100.00%
<b>Net current assets</b>	<b>137,743,378</b>		82,501,809		55,241,569	66.96%
<b>Non-current liabilities</b>	<b>123,498,672</b>		59,233,690		64,264,982	108.49%
Of which: Bonds payable	89,805,660	19.54%	35,775,667	12.76%	54,029,993	151.02%
Long-term borrowings	9,330,007	2.03%	4,537,684	1.62%	4,792,323	105.61%
Financial assets sold under						
repurchase agreements	7,624,682	1.66%	14,910,000	5.32%	-7,285,318	-48.86%
Financial liabilities at						
fair value through						
profit or loss	6,188,371	1.35%	1,008,065	0.36%	5,180,306	513.89%
Placements from banks and						
other financial institutions	5,747,990	1.25%	-	-	5,747,990	100.00%
<b>Total liabilities</b>	<b>459,521,221</b>		280,357,946		179,163,275	63.91%
<b>Total equity</b>	<b>116,927,671</b>		72,264,203		44,663,468	61.81%

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

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### *Non-current assets*

As at the end of 2015, the Group's non-current assets were RMB102,683 million, representing an increase of 109.57% as compared with the beginning of the year, mainly due to the significant fluctuation in the stock market in 2015. Increases were noted in available-for-sale financial assets, as well as financial assets held under resale agreements, such as the stock pledged repo business; and finance lease receivables of Haitong UT increased due to expansion of business scale. The Group recorded an increase in loans and advances as a result of the acquisition of Haitong Bank.

### *Current assets and liabilities*

As at the end of 2015, the Group's net current assets amounted to RMB137,743 million, representing an increase of RMB55,242 million, or 66.96%, as compared with RMB82,502 million at the beginning of the year, mainly due to the increase in the current assets, which grows faster than that in the current liabilities.

The increase in the Group's current assets was mainly due to: (1) the Group's intensive efforts in expanding the market share of its financing business on the basis of effective risk control, resulting in a rapid growth of its margin financing and securities lending, Hong Kong margin financing and stock pledged repo business as well as a significant increase in advance to customers on margin financing and financial assets held under resale agreements; (2) the substantial fluctuations of the stock market in 2015, which attracted funds flowing into the stock market and securities companies, resulting in the significant rise in bank balances and cash and clearing settlement funds as compared with the previous year; (3) the downturn of the stock market towards the end of 2015, in response thereto the Group expanded the portfolio of money market funds and bank wealth management products, resulting in the significant increase in assets with higher liquidity, such as financial assets at fair value through profit or loss and loan and receivable investments.

The increase in the Group's current liabilities was mainly due to: (1) significant increase in the accounts payable to brokerage customers as a result of the increase in the transaction volume of the stock market in 2015; and (2) moderate increase in the scale of borrowings, financial assets sold under repurchase agreements and "Yi Hai Tong Cai (一海通財)" series of products.

### *Non-current liabilities*

The increase in the Group's non-current liabilities was mainly due to its financing activities by means of subordinated bonds, corporate bonds, enterprise bonds and mid-term notes, the increase in the long-term borrowings of Haitong UT, and the acquisition of Haitong Bank.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### *Borrowings and bond financing*

As at 31 December 2015, the total borrowings and bond financing of the Group amounted to RMB163,551 million. Set out below is the breakdown of borrowings and bond financing of the Group at the end of December 2015:

	<b>31 December 2015</b>	<i>Unit: RMB'000</i> 31 December 2014
Bonds payable	<b>100,599,408</b>	35,775,667
Borrowings	<b>40,614,504</b>	24,345,258
Short-term financing bills payables	<b>22,336,951</b>	22,926,586
<b>Total</b>	<b>163,550,863</b>	83,047,511

For the information of interest rate and maturities of borrowings and bonds financing, please refer to Notes 44, 45 and 55 set out in the notes to the appended financial report.

As at 31 December 2015, the Group's borrowings, short-term financing bills payables and bonds payable within one year amounted to RMB64,415 million, and the Group's net current assets, net of liabilities such as bonds payable, borrowings and short-term financing bills payables within one year, amounted to RMB137,743 million. Therefore, liquidity risk exposure of the Group was immaterial.

Except for the liabilities disclosed in this Report, as at 31 December 2015, the Group had no outstanding mortgage, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, lease purchase and finance lease commitment, guarantee or other material contingent liabilities.

### **(II) Analysis of operations in the industry**

Please refer to Section III Summary of the Company's Business and Section IV Report of the Board of Directors of this Report for details.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (III) Analysis on investments

#### 1. Overall analysis on external equity investments

As at the end of the Reporting Period, the Group's long-term equity investments amounted to RMB5,137 million, representing a decrease of RMB549 million, or 9.66%, as compared with RMB5,686 million at the end of the previous year, mainly due to the reduction of equity investments by the subsidiaries of Haitong International Holdings. Please refer to Note 21 to the appended financial report for details of the investment in subsidiaries.

#### (1) Material equity investments

*Unit: RMB'000*

<u>Name</u>	<u>Shareholding in the company</u>	<u>Carrying value as at the end of the period</u>	<u>Profit and loss during the Reporting Period</u>	<u>Changes in equity of owners during the Reporting Period</u>
Fullgoal Fund Management Co., Ltd.	27.78%	700,094	324,135	10,022

Notes:

1. Profit and loss during the Reporting Period refers to the effects on consolidated net profit of the Company during the Reporting Period caused by this investment.
2. Changes in equity of owners during the Reporting Period do not include the effects of profit or loss during the Reporting Period.

#### (2) Material non-equity investments

The Group had no material non-equity investments during the Reporting Period.

#### (3) Financial assets at fair value

The financial assets at fair value of the Group mainly consist of financial assets at fair value through profit or loss of RMB110,440 million, available-for-sale investments of RMB44,490 million, and derivative financial assets of RMB3,428 million.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 2. Use of proceeds

#### (1) Use of proceeds in general

On 9 February 2015, the Company held its first extraordinary general meeting of 2015 and its first A shareholders' class meeting of 2015 and first H shareholders' class meeting of 2015, at which the Proposal on Issue of New H Shares by the Company was considered and approved. In May 2015, such proposal was approved by CSRC with the Reply of Approving Issue of Overseas Listed Foreign Shares by Haitong Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 811). As at 29 May 2015, the Company has completed a private issue of up to 1,916,978,820 overseas listed foreign shares (i.e., H Shares) with a nominal value of RMB1.00 each, at an issue price of HK\$17.18 each, receiving a total amount of HK\$32,933,696,128.00. After deducting the issuing costs of HK\$186,696,098.00, the net proceeds amounted to HK\$32,747,000,030.00. As at 31 December 2015, the proceeds and overseas and domestic interests amounted to HK\$32,748,280,742.10 (equivalent to RMB26,238,647,735.44), which has been all utilized as of the date of this Report.

Unit: RMB10,000

Year of fund raising	Fund raising methods	Total proceeds	Total proceeds used during the Reporting Period	Total accumulated proceeds used	Unutilized Proceeds	Use and purpose of unutilized proceeds
2015	Private placement	2,623,864.77	2,623,864.77	2,623,864.77	- /	
Total	/	2,623,864.77	2,623,864.77	2,623,864.77	- /	

Descriptions of overall use of proceeds

- (i) Approximately 60% was used to develop the margin financing and securities lending business;
- (ii) Approximately 15% was used to develop the stock repo and the stock pledged repo business;
- (iii) Approximately 10% was used to develop the structured products sales and trading business;
- (iv) Approximately 5% was used to increase share capital in Haitong Capital, for the development of direct investment business;
- (v) Approximately 10% was used to supplement working capital.

As at 31 December 2015, the actual uses of proceeds by the Company were in line with its commitment set forth in the announcement of the Company dated 21 December 2014. For further details, please see "Use of proceeds on committed projects".

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (2) Use of proceeds on committed projects

Unit: RMB10,000

Name of committed project	Any changes in the project	Amount of proceeds scheduled to invest	Amount of proceeds invested during the Reporting Period	Actual accumulated amount of proceeds invested	Whether in line with the schedule	Project progress	Expected revenue	Generation of revenue	Explanations	
									on failure to achieve the schedule and expected revenue	Reasons of changes and explanations on change in proceeds
Approximately 60% used to develop the margin financing and securities lending business	No	1,573,973.62	1,573,973.62	1,573,973.62	Yes	100%	-	61,403.17	-	-
Approximately 15% used to develop the stock repo and the stock pledged repo business	No	393,171.85	393,171.85	393,171.85	Yes	100%	-	13,809.65	-	-
Approximately 10% used to develop the structured products sales and trading business	No	262,114.57	262,114.57	262,114.57	Yes	100%	-	11,778.42	-	-
Approximately 5% used to increase share capital in Haitong Capital, for the development of direct investment business	No	130,000.00	130,000.00	130,000.00	Yes	100%	-	10,432.05	-	-
Approximately 10% used to supplement working capital	No	264,604.73	264,604.73	264,604.73	Yes	100%	-	2,667.45	-	-
<b>Total</b>	/	<b>2,623,864.77</b>	<b>2,623,864.77</b>	<b>2,623,864.77</b>	/	/	-	<b>100,090.74</b>	/	/

Use of proceeds on committed projects

Exchange rate for utilizing proceeds from issuing H Shares is calculated by actual exchange rate for its settlement.

### (3) Changes in projects invested with raised fund

There is no change in projects invested with raised fund so that this clause is not applicable.

### (IV) Material assets and equity disposal

Not applicable

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (V) Analysis on major controlling/shareholding companies

1. HFT Investment Management Co., Ltd., with a registered capital of RMB150 million, in which Haitong Securities owned 51% equity interests. As at 31 December 2015, HFT Investment Management Co., Ltd. had total assets of RMB1,345 million, net assets of RMB865 million. In 2015, it recorded an operating income of RMB766 million, with a net profit of RMB152 million.
2. Fullgoal Fund Management Co., Ltd., with a registered capital of RMB180 million, in which Haitong Securities owned 27.775% equity interests. As at 31 December 2015, Fullgoal Fund Management Co., Ltd. had total assets of RMB4,619 million, net assets of RMB2,521 million. In 2015, it recorded an operating income of RMB3,339 million, with a net profit of RMB1,167 million.
3. Haitong-Fortis Private Equity Fund Management Co., Ltd., with a registered capital of RMB100 million, in which Haitong Securities owned 67% equity interests. As at 31 December 2015, Haitong-Fortis Private Equity Fund Management Co., Ltd. had total assets of RMB203 million, net assets of RMB169 million. In 2015, it recorded an operating income of RMB135 million, with a net profit of RMB54 million.
4. Haitong Futures Co., Ltd., with a registered capital of RMB1,300 million, in which Haitong Securities owned 66.667% equity interests. As at 31 December 2015, Haitong Futures Co., Ltd. had total assets of RMB26,362 million, net assets of RMB2,318 million. In 2015, it recorded an operating income of RMB3,504 million, with a net profit of RMB143 million. So far, Haitong Futures is actively preparing for listing on NEEQ.
5. Haitong International Holdings Limited, with a registered capital of HKD8,850 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2015, Haitong International Holdings Limited had total assets of HKD179,454 million, net assets attributable to parent company of HKD11,165 million. In 2015, it recorded an operating income of HKD6,263 million, with a net profit of HKD2,631 million. As at 31 December 2015, Haitong International Holdings held 60.76%, 100% and 100% equity interest in Haitong International Securities, Haitong UT and Haitong Bank, respectively.
6. Haitong Capital Investment Co., Ltd., with a registered capital of RMB7,650 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2015, Haitong Capital Investment Co., Ltd. had total assets of RMB14,203 million, net assets attributable to parent company of RMB9,870 million. In 2015, it recorded an operating income of RMB1,370 million, with a net profit of RMB812 million.
7. Haitong Innovation Securities Investment Co., Ltd., with a registered capital of RMB3,500 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2015, Haitong Innovation Securities Investment Co., Ltd. had total assets of RMB6,684 million, net assets of RMB4,238 million. In 2015, it recorded an operating income of RMB569 million, with a net profit of RMB423 million.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

8. Shanghai Haitong Securities Asset Management Company Ltd., with a registered capital of RMB1,200 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2015, Shanghai Haitong Securities Asset Management Company Ltd. had total assets of RMB21,701 million, net assets of RMB2,281 million. In 2015, it recorded an operating income of RMB2,169 million, with a net profit of RMB889 million.

### (VI) Establishment of structured entities controlled by the Company during the Reporting Period

#### 1. *Special purpose entities under the control of the Company*

During the Reporting Period, there were seven new special purpose entities under the control of the Company, namely Haitong International Finance 2015 Limited, Bestlend Limited, iBest Management Services Limited, iBest Finance Group Limited, iBest Investment Services Limited, Haitong International Investment (Wealth Management) Limited, and iBest Finance Group (Holding) Limited.

- (1) Haitong International Finance 2015 Limited, which was established by Haitong International Securities, a subsidiary of Haitong International Holdings (the Company's wholly-owned subsidiary established in Hong Kong), on 13 January 2015 in British Virgin Islands, with an authorized capital of US\$50,000 and a paid-in capital of US\$1.00. The company was the issuing body of the US\$700 million guaranteed bonds of Haitong International Securities. The arrangement of using a special purpose entity as the issuing body of overseas bonds can realize the risk isolation.
- (2) Haitong International Securities, a subsidiary of Haitong International Holdings (the Company's wholly-owned subsidiary established in Hong Kong), established the following independent legal entities for the purpose of the Company's third-party sales business: (1) Bestlend Limited, which was established on 29 April 2015 in Hong Kong, with a paid-in capital of HK\$1.00; (2) iBest Management Services Limited, which was established on 29 May 2015 in Hong Kong, with a paid-in capital of HK\$1.00; (3) iBest Finance Group Limited, which was established on 12 August 2015 in Cayman Islands, with an authorized capital of US\$50,000 and a paid-in capital of US\$1.00; (4) iBest Investment Services Limited, which was established on 11 November 2015 in Hong Kong, with a paid-in capital of HK\$1.00; (5) Haitong International Investment (Wealth Management) Limited, which was established on 26 November 2015 in British Virgin Islands, with an authorized capital of US\$50,000 and a paid-in capital of US\$1.00; and (6) iBest Finance Group (Holding) Limited, which was established on 26 November 2015 in British Virgin Islands, with an authorized capital of US\$50,000 and a paid-in capital of US\$1.00.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### **2. *Structured entities or operating entities which was controlled through entrusted operations***

The Company has determined to include 26 structured entities (which are managed by the Company's subsidiaries) in its consolidated financial statements, considering the variable returns to which the companies in the consolidated financial statement are entitled and the risks to which they are exposed from such structured entities.

### **(VII) Others**

#### **1. *Establishment and disposal of the business departments, branches and subsidiaries of the Company during the Reporting Period***

During the Reporting Period, the Company established and opened 19 securities business departments upon approval, and as at the end of the Reporting Period, the Company had 27 securities branches and 290 securities business departments (please refer to Appendix II of this Report for details).

#### **2. *Explanation on account standardization***

The Company has completed the work of account clean-up in April 2008 and was awarded with the title of "Advanced Group for Account Clean-up" by the CSRC. During the Reporting Period, the Company has further strengthened the management on newly-opened accounts, and effectively avoided the setting up of non-standard accounts by standardizing the processes and enhancing supervision, review and etc. The Company also made further clean-up to the unqualified accounts, small-amount-dormant accounts and dormant accounts without risk management which have been reserved separately. During the Reporting Period, the Company has totally cleaned up 380 unqualified capital accounts (including 226 unqualified cash-only accounts), 23,365 small-amount-dormant capital accounts (including 923 cash-only small-amount-dormant accounts), and 654 dormant accounts without risk management. As at 31 December 2015, the Company still had 26,223 unqualified capital accounts (including 23,091 unqualified cash-only capital accounts), 1,547,848 small-amount-dormant capital accounts (including 445,972 cash-only small-amount-dormant capital accounts) and 98,213 dormant accounts without risk management.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 3. *Development of innovative business*

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

- (1) Giving active impetus to all innovative businesses led by the regulatory authorities. The Company is among the first group of securities companies obtaining stock options market-making business qualification and the principal market maker qualification of SSE 50 ETF options contracts, and successfully obtained the qualifications of inter-bank gold price asking transaction, registration and valuation of the fund business outsourcing, options settlement and other innovative business qualifications; and among the first batch of securities companies, the Company took the lead in passing the acceptance of sub-account accounting unit establishment in free trade zone; its futures subsidiary was among the first batch obtaining Shanghai Stock Exchange stock options trading participation qualification and stock options principal market maker business qualification.
- (2) Continuously strengthening its independent innovation to provide innovative business solutions to customers. The Company publicly issued China's first project revenue bond – revenue bond of the waste incineration power generation project, and the project has been nominated as Shanghai Financial Innovation Awards in 2015; the Company issued the first credit asset-backed securitization product with credit card installment bonds as underlying assets in the inter-bank market; the Company's offshore proprietary business has been approved, and the Company signed its first ISDA agreement to achieve breakthroughs of its cross-border business; and the Company has developed an innovative program for one-way video account opening;
- (3) Its innovative business maintained a leading position in the industry. The Company ranked top in the industry in terms of the scale of clients' financing business such as margin financing and securities lending, stock repo, and stock pledged repurchase. The Company possessed a leading position in terms of the number and scale of the over-the-counter market product offerings in the industry. The proportion of revenue generated from innovative business constantly increased, which effectively offset the adverse effect of the revenue decrease in traditional businesses.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

#### (I) Competition patterns and development trends of the industry

With the deepening of supply-side reform and SOE reform, the steady implementation of the share issuance registration system reform, increasing demand for public fund raising, continuous allocation of residents' major assets to financial assets, increasing cross-border mergers and acquisitions as well as growing investment and financing needs, the Company's large investment banking, large asset management, alternative investments and cross-border business are presented promising opportunities for development. On the other hand, with the impact of Internet finance, lower entry barrier for the industry as well as possible slowdown in the pace of financial product innovation under the current regulatory environment, the fundamentals for making profits in the securities industry will change dramatically while industry competition will intensify. The development of the securities industry is expected to see the following trends: development of capital intermediary services and wider uses of borrowings channels further lifting the business leverages of the industry; market deregulation allowing two-way flow of capital and realizing free flow of cross-border capital, which further enhances international and globalized development of the industry; speeding up industry integration and promoting a more concentrated market, leading to more intense competition among industry leaders and differentiation of business operations; with the phasing out of profitable operation related to franchising and regulatory practice, capital strength, customer base and professional services capability will be the essence to enhance core competitiveness.

#### (II) Development strategy of the Company

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

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (III) Business plan

In 2015, as more effort was put in the research and development and subsequent promotion of the “Internet+ Securities” project for the Company’s retail business, the Company has gained 2.4 million new customer accounts and registered a 40% increase in number of customers during the year, and by market share, was ranked third in the industry both in stock and fund transaction value and block trading, while ranked second in the industry of option brokerage. Under the Company’s deliberate promotion of the financing business, and its finance scale topped the industry. According to WIND Info, by transaction value, the Company was ranked sixth in equity financing, fifth in debt financing and fifth in M&A financing in the industry. The Company’s proprietary trading has precipitated the shift to non-cyclical and FICC business, leading to a record high in proprietary trading income. During the year, through the product line of wealth management products known as “Ying Cai Sheng Xin (贏財升鑫)”, the Company managed to increase the size of assets under active management and as a result achieved a record high in asset management income, which raised the Company’s ranking to the fourth place in the industry. The Company also maintains its leading position in the industry regarding the market impact of its research function. On the other hand, the Company geared up the development and network layout of overseas business. Haitong International Securities has its major business indicators among the best performers in Hong Kong with record-breaking profits. Haitong International Holdings completed the acquisition, change of name of and capital injection in BES1, indicating a historic step forward for the Company’s globalization process. Other accomplishments of the Company include completion of private placement of new H Shares and a number of onshore and offshore debt financing, rapid growth of the Internet business, capital intermediary business being in the forefront of the industry, innovative business representing an increasing proportion of total revenues, substantial growth in income from overseas business and leading the industry in the globalization of business.

In 2016, the Company will, under the guidance of overall strategy, adhere to sound operation, deepen the reform and transformation, effectively enhance the market position of seller business, consolidate its status as an industry leader of capital intermediary business, continuously promote the innovation and transformation of capital-based business, strengthen the cross-lines and cross-border business collaboration, create an integrated financial services platform with a rich product mix and prompt service response, and will conscientiously carry out the construction of the “four pillars” and lay a strong foundation for development, so as to enhance the Company’s comprehensive competitiveness.

The Company will focus on the following works: steadily promote the pilot transformation of its branches and subsidiaries structure reform; further promote the Internet finance strategy; seize the development opportunities of investment banking business; accelerate the development of the asset management business; speed up the pace of innovation and internationalization; enhance the fund management capacity; significantly strengthen business pillars including risk management, information technology management and human resource management; and foster the corporate culture.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (IV) Possible risks

#### 1. *Risks exposed to the operating activities of the Company*

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

##### (1) *Credit risk*

Credit risk refers to the potential loss suffered by the Company due to its financing customers, counterparties or issuers of securities held by it failing to perform their contractual obligations or the loss suffered by the Company due to the deterioration of the credit qualities of the third parties whose securities are held by the Company. Credit risk has certain correlation with market risk. The credit risk exposure of the Company on possession and trading of certain financial products also changes while the market fluctuates. As such, the Company has adopted necessary monitoring and preventive measures in respect of market fluctuations, so as to effectively manage credit risk.

Credit risk exposed to the Company mainly relates to the failure to perform duties by customers and counterparties in the course of business such as self-owned monetary funds deposited in other financial institutions, bank deposits and deposits from customers in trading of securities on behalf of customers, provision of margin financing and securities lending services and stock repo and stock pledged repo transaction services to customers, bond investment and derivative transactions.

The Company's monetary funds are mainly deposited in state-owned commercial banks or joint-stock commercial banks with good reputation, and the clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited, therefore, its cash and cash equivalents are facing a relatively low credit risk. In terms of securities brokerage business, trading are settled under gross margining for the sake of credit risk avoidance. In terms of margin financing and securities lending business, stock repo transaction and stock pledged repo business, credit risk involved in the business are controlled through the establishment and enforcement of various strict systems and measures in such areas as due diligence, credit assessment, credit approval, and mark-to-market and liquidation of positions. The Company emphasizes diversified investment in respect of credit type fixed income securities and existing investments are comprised mainly of high credit rating products, and kept a close track of the operating conditions and credit rating changes of investees. Therefore, credit risks associated with the investment subjects are well under control. In terms of over-the-counter derivatives business, the Company established a sound regulation system covering subject securities management, counterparty credit management and risk handling procedure; and conducted daily mark-to-market evaluation throughout the term of each over-the-counter derivative trade, and adopted robust pre-warning, stop-loss policy and other measures in order to manage credit risk. In addition, the Group'

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

subsidiaries are also exposed to credit risk when carrying out financing business, investment business, leasing business, over-the-counter derivatives and other businesses. The Company has been working to strengthen credit risk management at the group level, and driving forward the analysis of customer concentration at the group level, in order to control concentration risk at the group level. At the same time, the Company requires its subsidiaries to make regular reports, so as to fully evaluate and understand the credit risk conditions of these subsidiaries.

### (2) *Market risk*

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

- (i) Price fluctuation risk of securities assets. Price fluctuation risk of securities assets mainly refers to the possible loss incurred to the Company resulting from changes in market value of securities traded and invested by the Company. It includes equity securities price risk and bulk commodity price risk involved in the Company's proprietary trading investment, asset management, derivative products and other businesses. The operating condition of the Company highly co-relates to the environment of securities market and therefore involves high uncertainties. Therefore, the Company closely monitors the price fluctuation risk and has adopted relevant preventive measures.

In 2015, the domestic stock market experienced substantial fluctuations in which a strong rise was followed by large drops. SSE Composite Index, for example, kept rising from January to early June 2015. Starting from 3,234.68 at the end of 2014, it rose progressively and peaked at 5,166.35, a cumulative increase of 59.72%. During the same period, SME Board Index and Growth Enterprise Index (GEI) rose 119.67% and 164.97% respectively. However, from mid-June until August 26, the domestic stock market fell sharply with SSE Composite Index closing at 2,927.29 points, amounting to a loss of 43.34%. During the same period, SME Board Index and GEI tumbled 44.35% and 51.53% respectively. For the whole year, SSE Composite Index, SME Board Index and GEI gained 9.41%, 53.70% and 84.41% respectively.

The Company constantly tracks any variation in risk-adjusted values of securities positions to monitor the impact of market risk on the Company's investment portfolio. To prevent price fluctuation risk, the Company implemented diversified investment strategies, properly controlled and timely adjusted total investment amounts of various securities and employed various arbitrage and hedging instruments, which has effectively controlled market risk.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

- (ii) Interest rate risk. Interest rate risk refers to the risk resulted from market interest rate changes. The Company's assets and operations which are exposed to interest rate risk mainly include monetary deposits, bond investment, financing business and debt issue, etc. In 2015, the PRC central bank implemented a relatively loose monetary policy, through four RRR cuts, five interest rate cuts and one targeted RRR cut, leading to a relatively high level of liquidity in the market as a whole. In 2015, the China Bond Index continued to rise, and the bond yield curve showed a downward trend. The China bond composite full-price index closed at 119.29 at the end of 2015, representing an increase of 4.18% from the end of last year. The Company managed interest rate risk by employing methodologies such as size control and investment portfolio re-balancing to achieve a reasonable allocation of assets, matching the maturities of liabilities and assets and by evaluating interest rate risk through regular measurement of indicators such as duration, convexity and DV01 of investment portfolios.
- (iii) Exchange rate risk. Exchange rate risk refers to the risk resulting from changes in foreign exchange rates. With the international expansion of the Company, the exchange rate risk is becoming evident. Apart from the Company's overseas equity investments, the Company's foreign currency business and foreign currency assets are increasing in variety, with non-RMB assets growing in scale. The Company's overseas subsidiaries also issued foreign currency denominated bonds, resulting in an increase in the debts denominated in foreign currencies, which increased the size of foreign currencies of the Group as a whole. The above changes caused the Company's assets and liabilities exposed to foreign exchange risks and difficulties in management due to the currency difference. In addition, with the growth of the Company's business in the free trade zone, especially the increase in foreign currency liabilities and overseas investments, the foreign currency risk also increased. The Company continued to monitor and study the latest developments in the foreign exchange market, while constantly optimizing the relevant regulations and internal management, so as to support the Company's overseas business development. As at the end of 2015, the Group's exchange rate risk exposure would not have material impact on the Company's operating performance.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (3) *Operational risk*

Operational risk refers to risks associated with losses arising from the deficiency and defects of the internal processes, human or system issues and external events. Operational risk usually includes the risks resulting from intra-company human-errors in operation, internal process defects, information system fault and defects, trading failure and other reasons, as well as the risks caused by fraudulent conducts beyond the Company. Information technology risk is a main component of the present operational risks. Information technology is important for the business development and management of securities trading, settlement and service, etc. Unreliability of system, network technology defects and data error will all bring losses to the Company.

The Company adheres to improving the internal control management mechanism, completing the operational processes, strengthening the inspection and audit, intensifying the accountability system, reducing the chance of occurring risk events relating to operational risks and actively and properly address the adverse effects brought by any such events. However, although the Company has formulated a relatively sound internal control system in accordance with the provisions of Guidelines for Internal Control of Securities Company issued by CSRC, there is no guarantee that the Company can completely avoid the economic loss, legal disputes and violation risks which may result from operation errors and human acts of omission. Besides, the securities industry which the Company belongs to is a knowledge-intensive industry, therefore, the staff moral hazard is more severe than that of other industries, and staff's illegal and criminal acts will cause loss to the Company's assets and damage the Company's reputation. The Company persists in the implementation of refined management, constantly improves the business process and strengthens professional integrity and professional ethics education of staff, and strives to manage and reduce operational risk exposure. During the Reporting Period, the Group continues to improve the construction of its operational risk management system and internal control structure; strengthens the information wall system to prevent information leakage among the brokerage business, proprietary business, asset management business, investment banking business and innovation business, to prevent insider trading, conflict of interests, transfer of benefits and other irregularities.

### (4) *Liquidity risk*

Liquidity risk refers to the risk that a company is unable to gain sufficient funds with reasonable cost in a timely manner to pay its due debts, satisfy other payment obligations and meet the requirements for carrying out the normal business operations. In light of factors such as large business scale of the Company's proprietary business and financing businesses, the operation of the Company is subject to factors including macroeconomic policy, changes of market conditions, and credit of clients. The Company may also be subject to liquidity risk arising from mismatched asset-liability structure.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the stock secondary market witnessed significant fluctuations, resulting in tight liquidity condition in the capital market and rapid adjustment of scale of financing business, which posed relatively great challenge to the Company's liquidity risk management. Facing such a complicated and volatile market environment, the Company planned and through various ways further strengthened liquidity risk control by carrying out prior risk identification, existing risk mitigation, follow-up improvements and other measures.

The Company continued to embrace the mindset of "proper and even conservative risk control" by strengthening prior risk control. Adhering to the pre-determined liquidity risk preferences and monitoring limits of risk indicators, the Company has successfully contained liquidity risk exposure within a reasonable range through reasonable monitoring mechanism and adjustment measures. To improve the precised risk management, and strengthen the Company's ability to address liquidity risk, during the Reporting Period, the Company formulated administrative measures on quality liquid assets, which gives clear definitions to the type, size and management level of the Company's quality assets. On this basis, the Company established its liquidity risk stress testing model with debt maturity structure and quality asset reserve as the core, and enhanced its scientific control and projection effectiveness to liquidity risk at a deeper level. In addition, the Company also revised liquidity risk emergency plans and improved the risk management system. On the whole, the Company strengthened its capabilities to identify, assess and settle liquidity risk and further improved its capabilities of liquidity risk prevention and control by adopting measures including increasing liquidity reserves and replenishing net capital.

In respect of mid- and long-term liquidity risk management, the Company continues to optimise its capital allocation structure, effectively mitigated the potential impact of asset-liability mismatch to the Company's liquidity risk. In respect of liability management, the Company continuously optimized its debt financing structure and realized more efficient capital utilisation through issuing debt instruments including subordinated bonds, short-term corporate bonds of securities companies and income receipts. In addition, the Company extended the overall maturity of its debts, which effectively reduced the adverse effects on the liquidity condition of the Company caused by maturity mismatches of its assets and liabilities and ensured the satisfaction of the capital requirements for the daily operations of the Company as well as provided funds for the rapid growth of capital-intensive businesses such as financing business and proprietary trading business.

The Company put emphasis on maintaining good cooperative relationship with major commercial banks, focused on standardized operations and maintained good reputation.

On the whole, during the Reporting Period, the Company had sufficient quality asset reserves with liquidity risk basically under control, which could effectively ensure that the Company is able to continue its stable operation under stress.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

- (1) As at the end of 2015, the Company's margin financing and securities lending services, stock repo transaction and stock pledged repo business recorded higher average performance guarantee ratios, namely 301.25%, 205.93% and 396.81% respectively, which are fairly safety levels. None of these three margin trading business exceeds the limit indicators for credit risk, all of them were in healthy and stable operation. In addition, as at the end of 2015, the non-performing asset ratio of the total assets of Haitong UT was 1.25%, with an provision coverage ratio of 215%, indicating smooth operation of each business.
- (2) The ratio of VaR to net assets at the end of each month of 2015 kept below 0.3%, which was controllable and acceptable. However, the use of various financial instruments was still influenced by the regulatory environment, effectiveness of investment strategy and hedging strategy. The effectiveness of management methods was also restricted by the adverse changes of market liquidity, and the relevance between securities price and hedging instruments price also has an influence on the effectiveness of hedging strategy. In addition, there has been volatility in the stock market since June 2015. In order to maintain the stability of the stock market and play an active role as a securities firm, the Company entered into the Master Agreement for OTC Derivatives Trading in the China Securities Futures Market and the Confirmation of Return Swaps Trading with China Securities Finance Corporation Limited, pursuant to which the Company contributed RMB19.457 billion for the investment in blue-chip shares ETF. The above contribution will be included in the annual quota of the Company's investment in proprietary equity securities and securities derivatives.

With the support of the Company's liquidity, the scale of investment of non-equity securities proprietary trading business of the Company remained stable based on the trends of and judgments on bond market. The whole portfolio duration was under control with little changes and remaining relatively stable at the end of each month. The average investment duration as at the end of 2015 was 2.84, representing a slight increase as compared with 2.76 as at the end of 2014. In 2015, the Company maintained an overall sound market risk control over its fixed income investments.

The scale of the Company's equity securities investment showed a general growing trend in 2015. Through active business transformation by conducting market neutral investment, the revenue model of proprietary trading was further diversified. At the same time, over-the-counter options and other capital intermediary business experienced further expansion in scale. In addition, in 2015, the Company obtained the market-making business qualification for stock options traded on Shanghai Stock Exchange, and actively carried out market-making operations. In executing the above business initiatives, the Company adhered to risk-neutral investment strategy, and effectively controlled the relevant risk exposures.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

(3) The Company adheres to standard operation procedures in general and does not have other significant operational risk except individual compliance risk events. It continues to strengthen the building and operation of information technology system and conduct regular and irregular inspection and maintenance in strict accordance with operation management procedure, thus ensuring the reliable, stable and safe operation of system and avoid any significant technology risk. The Company intensifies the executive force of various rules and regulations and focuses on improving every system and process, so there is no management risk with material effects on the Company.

(4) At the end of the Reporting Period, affected by factors such as the successive completion of the capital replenishing plans of the Company and the drop of turnover of the Company's margin financing and securities lending business and flow back of funds due to market volatility, the pressure on the liquidity of the Company was lessened. Sufficient capital reserves reduced possibility of the occurrence of liquidity risks and ensured that the Company could maintain its stable operation in a complex market environment. Facing an uncertain market environment in the future, the Company will continue to conduct assets and liabilities management actively and achieve higher capital utilization efficiency on the basis of safety and liquidity, so as to safeguard the sound operation of the Company.

During the Reporting Period, the Company maintained sound operation of all of its businesses, reasonable assets allocation and healthy financial situation, and various risk control indicators including the net capital kept in compliance with the regulatory requirements.

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

To address the above mentioned risks, the Company has taken or is taking a variety of directed measures to prevent and control related risks according to the situation of domestic and international markets:

- (1) Adhering to the strategy of international development and innovative development, enhancing knowledge about the global financial markets, and increasing corporate competitiveness and overall risk management capability.
- (2) Proactively implementing its capital replenishing plans and enhancing its capital strengths through measures such as equity financing and debt financing. During the Reporting Period, the Company has completed its issuance of new H Shares, subordinated bonds and short-term corporate bonds.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

- (3) Insisting on improving corporate governance structure. Continue to regulate operation of the general meeting of shareholders, to ensure that all shareholders, especially minority shareholders enjoy equal rights; to protect interests of minority shareholders, to standardize and improve operation of the Board, to give full play to the role of each special committee of the Board and independent non-executive Directors, to give full play to the supervision role of the Supervisory Committee to the Board and manager-level officers.
- (4) Adhering to optimizing internal control system. The Company is implementing the Basic Standards for Enterprise Internal Control and its supporting guidelines in full, conducting regularly internal control self-evaluation and striving to develop a risk management system in line with international standards.
- (5) Strengthening compliance and risk management. The Company continues to improve various compliance management functions and risk management standards, and continuously improves comprehensive risk management system. The Company further strengthens anti-money laundering work and Chinese wall construction, compliance monitoring, and prevents violations such as inside trading, conflict of interest, and transfer of benefits.

The Company attaches special importance to identifying and assessing and compliance management of risk exposures for new products and new businesses, and standardizing operational procedures; monitoring system is improved continuously from time to time, in order to make sure that business is operated with real-time monitoring and risk warning. It increases the audit and inspection of various businesses to ensure that the system, procedures and risk management measures are effectively implemented. It also increases staff compliance training, publicizes and creates culture of comprehensive compliance and active compliance, increases employees' awareness of compliance and risk management capabilities, and builds corporate culture based on operation compliance.

- (6) Continuing to improve net capital monitoring system, strengthening the net capital oriented risk control indicator monitoring system, and optimizing allocation of net capital between various businesses, so as to prevent and resolve the liquidity risk. At the same time, the Company strengthens the application of sensitivity analysis and stress testing tools, providing risk assessment support for major business development and important decisions in a timely manner. The funds of the Company are mainly deposited in state-owned banks and reputable joint-stock banks, which ensures the safety of the funds. Under the premise of ensuring the safety of funds, the Company strives to improve efficient use of funds.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

- (7) Improving risk response mechanisms. In 2015, in view of market volatility, the Company strengthened the risk management efforts regarding investment business and financing business. In terms of investment business, the Company has stepped up the monitoring of businesses with relatively greater risk exposure, to ensure that the investment ratio limits, VaR limits and stop-loss limits have been fully implemented during periods of rapid downturn of stock index. In terms of financing business, the Company strengthened risk monitoring, particularly over high-risk customers, paid attention to the number and investment amount of customers subject to margin calls and forced settlement, and carried out analysis and evaluation on customers with higher concentration of positions and larger amount of debts. The Company adopted timely the counter-cyclical adjustment mechanism and implemented risk control for stock pledged repo business, the specific measures include pledge ratio control, etc.. In addition, the Company has made timely summaries and reports on risks situation of other business lines and the Group's principal subsidiaries through daily, weekly, monthly and other reporting mechanisms.
- (8) Through robust research on the domestic and international macro-economic situations, industry economic conditions and listed companies, the Company has improved the effectiveness of market fluctuation forecasts. Based on careful judgments made about the market, real-time adjustments to proprietary trading size and asset allocation structure can be made. Moreover, the Company has standardized the investment decision-making process, strengthened the management of investment product candidates, strictly enforced the proprietary investment stop-profit and stop-loss system and successfully guarded against market risk and counterparty credit risk.
- (9) Increasing investment in system building and strengthening the establishment of the IT governance. The Company fully reviews the information system framework, detects blind spots in information management, strengthens system access licensing management, and standardizes the network construction of branches. At the same time, the Company strengthens the upgrading and optimization of centralized trading, legal person settlement, marketing management, margin financing and securities lending, stock index futures, human resources management and OA (office automation) systems, promotes customer relationship management systems and database construction, in order to provide strong support for business development. The Company has continued to promote the development and upgrading of various risk management information systems so that they can be adapted to the complexity of our current business and risk benchmark system, comprehensively cover all business sectors, and meet the increasingly complex risk management needs.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

(10) Keeping up investor education and appropriate management. The Company insists on investor education, sound customer and product management at different levels, and reveals risks to investors in a timely manner. At the same time, the Company integrates customer resources and enhances customer data analysis and service capabilities. The Company will make full use of the resulting benefit from the integration of the channels and resources of customer service, perform investor eligibility checks comprehensively, and offer appropriate products and services to different types of customers.

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

#### 1. *Dynamic monitoring of risk control indicators*

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

#### 2. *Establishment of net capital replenishment mechanism*

The Company has established a net capital replenishment mechanism. When risk control indicators including net capital approach or touch the pre-warning standards, the Company will replenish net capital by reducing the scale of the proprietary investment products with high risks, reinforcing collection of receivables, raising share capital, issuance of subordinated debts or convertible bonds, etc.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

The Company always adheres to the philosophy of sound business, and focuses on risk management to maintain a reasonable capital structure. As at the end of Reporting Period, based on calculation in accordance with the PRC GAAP, net capital of the Company was RMB85,521 million, net asset was RMB101,120 million and net gearing ratio was 84.57%. During the Reporting Period, the operating risks were basically controlled at an acceptable level with asset in high quality and standardized business operations, and its risk control indicators were in line with regulatory requirements.

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

In 2015, the Company conducted sensitivity analysis or stress testing on significant events including upper limitation of business scale adjustment, issuance of debt instruments, establishment of branches, investment banking underwriting projects, operation of new businesses and issuance of new products etc., and carried out the abovementioned events under the pre-condition of analysis and testing conclusions satisfying the regulatory requirements. Meanwhile, in accordance with the requirements of the Guidance, stress testing has been conducted at the end of each month for all possible extreme cases. In 2015, the Company conducted a total of 90 sensitivity analysis and stress testing, and all testing results were in line with the requirements of the regulatory authorities, and were taken as the basis of the major decisions of the Company.

## **(VI) Construction of the compliance management system of the Company**

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

In strict accordance with the requirements of the CSRC, and combined with the actual situation of the Company, the Company has established a scientific and rational compliance management framework system with clear duties delegated. The system is composed of four layers: the Board and its Compliance and Risk Control Committee, General Compliance Officer, the compliance department and compliance officers in all departments, branches and subsidiaries.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

### **IV. THE SITUATION THAT THE COMPANY FAILED TO DISCLOSE INFORMATION DUE TO NON-APPLICABLE TO THE STANDARDS OR SPECIAL REASONS AND THE RELEVANT REASON DESCRIPTION**

✓Non-applicable

## SECTION V SIGNIFICANT EVENTS

### I. PROPOSAL OF PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND INTO CAPITAL FOR ORDINARY SHARES

#### (1) Establishment, execution or adjustment of cash dividend policy

As always, the Company provides reasonable investment return to shareholders, and adopts a continuous, stable, and aggressive profit distribution policy. The Company established and implemented the profit distribution policy especially the cash distribution policy strictly in accordance with the Articles of Association, which has been considered and passed by the Board and general meeting of the Company. Standard and percentage of dividend distribution was definite and clear. The Company has established relevant comprehensive procedure and system for decision making, and independent non-executive Directors have fully performed their obligation and played their appropriate role. There were opportunities for minority shareholders to fully express their opinions and demands, therefore, the legal interest of minority shareholders was adequately protected.

Cash dividends of RMB10,523 million (inclusive of tax) and stock dividends of 1,234 million shares (inclusive of tax) were distributed to shareholders of the Company and share capital of 2,880 million shares was transferred from capital reserve fund from 2007 to 2014. From 2007 to 2014, the percentage of dividends distributed each year in the profit available for distribution to investors exceeded 30%, amounting to 51.75%, 35.69%, 54.44%, 53.87%, 57.79%, 73.42%, 47.40% and 148.25%, respectively.

The Company has expressly stipulated the profit distribution policy in its Articles of Association, that “the Company may, according to the profit made by the Company and taking into account the actual situation as well as current and long-term benefit of the Company, distribute dividend by way of cash or shares, and have the priority to distribute dividend by cash. In principle, the Company will distribute cash dividend for the year with profit. The Company may distribute interim dividend. Profit distribution shall satisfy the regulatory requirements, not exceed the accumulated distributable profit and not influence continuous operation capacity of the Company. If the Company generated profits in the previous accounting year but the Board did not make any cash profit distribution proposal after the end of the previous accounting year, the Company shall state the reasons for not distributing the profit and the usage of the profit retained in the annual report and the independent Directors shall give an independent opinion in such regard. The accumulated cash distribution of profit for the last three years of the Company were not less than 30% of the average annual distributable profit. Specific percentage of dividend distribution for each year shall meet the needs of corporate operation and development and be resolved in accordance with the annual earnings conditions and future plans on usage of funds. If any of the following circumstances occurs, the Company can adjust or amend the aforesaid profit distribution policy by obtaining the approval from more than two thirds of voting rights held by shareholders attending the shareholders’ general meeting: (i) there are changes in, or adjustments to, the relevant laws and regulations; (ii) the risk control indicators (such as net capital) reach the warning levels; (iii) the Company’s operating conditions deteriorate; (iv) the Board proposes the adjustments. In the event that adjustments to the Company’s profit distribution policy are necessary due to the needs of operation and long-term development, the adjusted profit distribution policy shall comply with the relevant requirements of the regulatory authorities. Any resolution regarding the adjustments to the Company’s cash dividend policy shall

## SECTION V SIGNIFICANT EVENTS

be approved by two thirds of the voting rights of the shareholders attending the shareholders' general meeting and online voting shall be available. The Company shall consider the views of public investors and timely respond to the questions concerned by public investors. The Company should disclose in annual reports the formulation, implementation of the dividend distribution policy and other relevant circumstances in accordance with the relevant provisions. If the cash dividend policy is to be adjusted or amended, whether the conditions and procedures for the adjustments or amendments are in compliance with the regulations and transparent should be disclosed in details."

The implementation of the 2014 profit distribution plan of the Company was completed on 6 July 2015. On the basis of the total share capital of 11,501,700,000 shares of the Company, cash dividend of RMB2.50 (tax inclusive) for every 10 shares were distributed to all the shareholders, with total cash dividend amounting to RMB2,875,425,000.00.

### **(2) Profit distribution scheme or proposal and scheme or proposal on transfer of capital reserve fund into capital of ordinary shares for the recent three years (including the Reporting Period)**

As audited, profit for the year 2015 attributable to owner of the parent company in the consolidated financial statements of the Group was RMB15,838,850,897.61 and the net profit of the parent company for 2015 was RMB13,515,784,851.80.

In accordance with the relevant requirements of the PRC Company Law, the PRC Securities Law, the Financial Rules for Financial Enterprises and the Articles of Association, the Company may distribute profits to investors after appropriating statutory reserve fund and reserve fund. The Company appropriated statutory reserve fund, general risk reserve fund and transaction risk reserve, respectively, at 10% of the Company's net profit realized in 2015, each amounting to RMB1,351,578,485.18, totaling RMB4,054,735,455.54 and profit available for cash distribution to investors for 2015 was RMB9,461,049,396.26. By adding the retained profits of RMB13,245,183,976.60 at the beginning of the year of the Company, and deducting the dividends of RMB2,875,425,000.00 distributed on implementation of the profit distribution scheme for 2014, the Company's retained profits amounted to RMB19,830,808,372.86 at the end of the year. After taking into account the Company's long-term development and investors' interests, the Company's profit distribution proposal for 2015 is as below:

1. On the basis of a total share capital of 11,501,700,000 A Shares and H Shares in issue as at 31 December 2015, cash dividend of RMB4.50 per 10 shares (inclusive of tax) will be distributed to all holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date, with total cash dividend amounting to RMB5,175,765,000.00. The retained profits of the Company of RMB14,655,043,372.86 following the cash dividend distribution will be carried forward to the next year.
2. Cash dividends are denominated and declared in RMB and payable in RMB to A shareholders and in HK dollars to H shareholders. The actual amounts declared in HK dollars are converted based on the average benchmark exchange rate for Renminbi to HK dollars as announced by the People's Bank of China in five working days prior to the date of the 2015 annual general meeting.



## SECTION V SIGNIFICANT EVENTS

Cash dividends will be distributed within two months after the date of the annual general meeting, following the approval of the profit distribution proposal for 2015 by the 2015 annual general meeting.

The Company will announce in due course the date of convening the 2015 annual general meeting, and for the purpose of ascertaining the entitlement of the shareholders to attend and vote at the forthcoming annual general meeting, the timing for which the register of members of the Company will be closed. The Company will give further notice on the record date and book closure date for the dividend of H Shares.

*Unit: Yuan Currency: RMB*

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (RMB) (inclusive of tax)	Number of shares converted for every 10 shares (share)	Amount of cash dividends (inclusive of tax)	Net profit for the year attributable to owners of the Company in the consolidated financial statements during the year of distribution	Percentage of amount of cash dividends in net profit for the year attributable to owners of the Company in the consolidated financial statements
						(%)
2015	0	4.5	0	5,175,765,000.00	15,838,850,897.61	32.68
2014	0	2.5	0	2,875,425,000.00	7,710,623,597.60	37.29
2013	0	1.2	0	1,150,166,541.60	4,035,024,048.18	28.50

- (3) **If the Company records profits and the parent company records positive retained profits for distribution of ordinary shareholders during the Reporting Period but there is no proposal for cash profit distribution for ordinary shares, the Company shall disclose the reasons and the usage of the retained profits and the usage plan in detail**

✓Non-applicable

### II. PERFORMANCE OF UNDERTAKINGS

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

### III. EMBEZZLEMENT OF FUNDS AND REPAYMENT OF DEBT DURING THE REPORTING PERIOD

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

## SECTION V SIGNIFICANT EVENTS

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

(1) Explanations on “Non-standard Audit Report” of accounting firm of the Board and Supervisory Committee

✓Non-applicable

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

✓Non-applicable

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

✓Non-applicable

### V. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: RMB 10,000

#### Currently engaged

Appointment and dismissal of Accounting Firms

Name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
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Remuneration of the domestic accounting firm	260
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Term of the audit services provided by domestic accounting firm	5
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Name of the foreign accounting firm	Deloitte Touche (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership))
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Remuneration of the foreign accounting firm	300
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Term of the audit services provided by foreign accounting firm	4
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	<b>Name</b>	<b>Remuneration</b>
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Accounting firm engaged for internal control audit	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)	40
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## SECTION V SIGNIFICANT EVENTS

### Explanation of appointment and dismissal of accounting firms

During the Reporting Period, the Company re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) (“BDO China”) as its external auditor for 2015, who will be responsible for provision of relevant domestic audit services in accordance with the PRC GAAP, for a term of one year with auditing fees of RMB2.60 million. The Company appointed BDO China as its internal control auditor, with auditing fees of RMB400,000. In addition, Deloitte & Touche LLP (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership)) (“Deloitte & Touche”) was re-appointed as the Company’s external auditor for 2015 for a term of one year, who will be responsible for provision of relevant audit and review services in accordance with the IFRS, with auditing fees of RMB3.00 million. In addition, the two accounting firms provided audit service for subsidiaries of the Group, with total service fee of RMB6.31 million. Other professional services fees amounted to RMB1.37 million. During the Reporting Period, there was no occurrence of disagreement from the Board to the opinions of selection and appointment of external auditor from the Audit Committee.

### VI. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

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

### VII. MATERIAL LITIGATION AND ARBITRATIONS

During the Reporting Period, the Company was not involved in any material litigation and arbitration that involves claims of over RMB10 million and accounting for more than 10% of the absolute value of the Company’s net assets as shown in the latest financial statements, which shall be disclosed in accordance with the requirements under the Shanghai Stock Exchange Listing Rules. The Company did not have matters commonly questioned by media during the Reporting Period.

### VIII. PUNISHMENT ON AND RECTIFICATION OF THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND ACQUIRER

As at the end of the Reporting Period, the Company did not have any shareholder who held directly more than 5% of shares or any de facto controller. During the Reporting Period, none of the following circumstances happened to the Company, the Board, Directors, Supervisors, and senior management: being investigated by competent authorities, imposed coercive measures by a judiciary authority or disciplinary department, transferred to a judicial authority or held criminally liable, investigated or imposed administrative penalties by CSRC, banned from access to market, identified as an unsuitable person, punished by other administrative departments, or publicly condemned by a stock exchange. None of the Directors, Supervisors and senior management of the Company violated any rules or regulation with regard to trading of the shares of the Company.

On 10 September 2015, the Company received an Advance Notice of Administrative Penalty from the CSRC (Chu Fa Zi [2015] No. 73), in relation to its failure to review and verify the true identity of clients in accordance with applicable rules. Mr. Song Shihao, an employee representative Supervisor, was issued a warning and imposed a fine of RMB50,000. For more details, please refer to the Company’s announcement dated 11 September 2015. The Company and Mr. Song Shihao have made a statement and defense in respect of the penalty, and are waiting for further professional opinion.

## SECTION V SIGNIFICANT EVENTS

### IX. CREDIT-WORTHINESS OF THE COMPANY, ITS CONTROLLING SHAREHOLDER, AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

The Company did not have any shareholder who held directly more than 5% of shares or any de facto controller. During the Reporting Period, there was no failure to comply with any effective court rulings or settle any material debts which have fallen due.

### X. EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND THEIR EFFECTS

#### (1) Relevant incentive events have been disclosed in the temporary announcement and there is no further development or change in subsequent implementation

##### Overview

##### Inquiry index

<p>On 21 September 2015, the Company held the second extraordinary general meeting in 2015, second A shareholders' class meeting in 2015, and second H shareholders' class meeting in 2015; the Proposal on the Adoption of Share Option Scheme (Draft) of Haitong Securities Co., Ltd. as well as the Proposal on the Establishment of Employee Stock Ownership Plan (Draft) of Haitong Securities Co., Ltd. proposed at the general meeting obtained 62.765328% and 65.809276% of H shareholders' on-site votes (including proxies) held by the H shareholders present at the general meeting, respectively, which does not meet the requirement of two thirds of the voting rights held by the shareholders present at the class meeting, and thus the two proposals have not been adopted.</p>	<p>Poll results announcement of the second extraordinary general meeting in 2015, second A shareholders' class meeting in 2015 and second H shareholders' class meeting in 2015 of Haitong Securities Co., Ltd. held on 21 September 2015</p>
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#### (2) Incentive events not disclosed in the temporary announcement or with subsequent progress or changes

##### *Equity incentives*

✓N/A

##### *Employee stock ownership*

✓N/A

## SECTION V SIGNIFICANT EVENTS

### *Other employee incentive*

On 8 July 2015, the Company held the ninth meeting (extraordinary meeting) of the sixth session of the Board through voting by correspondence, at which the Resolution on the Establishment of Share Acquisition Plan of Haitong Securities Co., Ltd. was adopted. Up to now, the share acquisition plan has been formally set up, and 25 employees have participated in the plan with a total participating amount of RMB28 million. This share acquisition plan is carried out by an asset management scheme of a third party asset manager. The Company and its Directors, Supervisors and general manager do not participate in such share acquisition plan, and the Company does not provide any funding or financial support for the plan. All participants of the share acquisition plan undertake to abide by the provisions of relevant laws and regulations and the requirements of product rules.

### **(3) Explanation of the equity incentives of the Company during the Reporting Period**

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

Haitong International Securities, a subsidiary of Haitong International Holdings, adopted a share option scheme on 23 August 2002, which was valid and effective for a period of 10 years commencing from the date of adoption and expired on 22 August 2012. The Resolution on Adoption of Share Option Scheme for Haitong International Securities Group Limited was considered and passed at the 2014 annual general meeting of the Company. At the extraordinary general meeting held on 8 June 2015, Haitong International Securities considered and approved the adoption of a new share option scheme, which is valid and effective for a period of 10 years commencing from the date of adoption. As at 31 December 2015, Haitong International Securities has not granted any share options under the scheme. (For further information, please refer to the 2015 annual report of Haitong International Securities.)

Haitong UT, a subsidiary of Haitong International Holdings, adopted a share option incentive scheme on 27 May 2014, which is valid for a period of five years. According to the scheme, the eligible participants include directors, senior management, key operational managerial personnel and key technical and business personnel of Haitong UT and its subsidiaries as determined by the board of directors of Haitong UT, the total number of which shall not exceed 50. No more than 97,321,500 share options shall be granted to the participants under the scheme. On 19 January 2015, the board of directors of Haitong UT resolved to offer to allocate share options to 28 qualified participants under such share option incentive scheme to subscribe for a total of up to 85,980,375 ordinary shares in the share capital of Haitong UT. The validity period of such options are within five years from the grant date, and the exercise price of the first batch of the options is US\$0.4552 per share option, and the exercise price of the subsequent batch of the options shall increase by 8% every year based on the exercise price of the first batch of the options.

## SECTION V SIGNIFICANT EVENTS

### XI. MATERIAL RELATED PARTY TRANSACTION

During the Reporting Period, other than Note 66 in the appended financial report, the Group had no material related party transactions. The Company confirms that such related party transaction did not constitute connected transaction under Chapter 14A of the Hong Kong Listing Rules. During the Reporting Period, the Company did not have any connected transaction which would be required to be disclosed under Chapter 14A of the Hong Kong Listing Rules.

### XII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

#### (1) Trust, contracting and leasing matters

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

#### (2) Guarantees

Unit: Yuan Currency: RMB

External guarantees provided by the Company (excluding the guarantees for subsidiaries)															
Relationship between guarantor and the listed company	Party guaranteed	Amount of guarantee	Date of provision of guarantee (execution date of agreement)	Commencing date of guarantee	Expiry date of guarantee	Guarantee type	Guarantee fulfilled or not	Guarantee overdue or not	Amount of guarantee over due	Whether counter-guarantee exists	Related parties guarantee or not	Related relationship			
Total amount of external guarantees incurred in the Reporting Period (excluding the guarantees provided for subsidiaries)													/		
Total balance of external guarantees at the end of the Reporting Period (excluding the guarantees provided for subsidiaries)													/		
<b>Guarantees provided by the Company and its subsidiaries for subsidiaries</b>															
Total amount of guarantees provided for subsidiaries during the Reporting Period											10,342,629,514				
Total guarantee balance provided for subsidiaries at the end of the Reporting Period (B)											22,854,195,281				
<b>Total amount of guarantees provided by the Company (including those for subsidiaries)</b>															
Total amount of guarantees (A+B)											22,854,195,281				
Percentage of total guarantee over the net assets of the Group (%)											21.22				
Including:															
Amount of guarantees provided to shareholders, de facto controllers and their related parties (C)															
Portion of amount of debt guarantees directly or indirectly provided for the parties guaranteed with the gearing ratio exceeding 70% (D)											5,321,400,000				
Amount of total guarantee exceeding 50% of net assets (E)															
Total amount of the above three types of guarantees (C+D+E)											5,321,400,000				

## SECTION V SIGNIFICANT EVENTS

### Explanations on outstanding guarantee which may undertake joint and several liability for repayment

- Explanations on guarantees
1. On 7 December 2014, in the thirty-first meeting (extraordinary meeting) of the fifth session of the Board through voting by correspondence, the Resolution on Providing Financing Guarantees for Subsidiaries was adopted after deliberation at the meeting, which agrees that the Company and its subsidiaries to provide, after the completion of acquisition of Banco Espírito Santo de Investimento, S.A. ("BESI"), guarantees for financing of BESI, its subsidiaries and the SPV established by it (including, without limitation, loans borrowed from Novo Banco or other parties, bond issuance or other forms of financing); the guarantee amount shall not exceed 800 million euros, and the guarantee period shall not exceed five years. The financing agreement related to the guarantee was signed on 7 September 2015; according to the guarantee provisions of the agreement, the Company is the guarantor, BESI is the guaranteed party, Novo Banco, S.A. is the creditor, guarantee amount is 750 million euros (including principal and interest) and the guarantee period is 3 years.
  2. On 13 April 2015, the third meeting (extraordinary meeting) of the sixth session of the Board was held through voting by correspondence, in which the Resolution on Provision of Joint and Several Guarantee for Issuance of U.S. Dollar Bonds by Wholly-owned Offshore Subsidiary was considered and passed. Haitong International Finance Holdings 2015 Limited, a wholly-owned offshore subsidiary of the Company, issued the 3.5% U.S. dollar bonds in the amount of USD670 million, which are due in 2020, and the Company provided joint and several guarantee for this issuance.
  3. In October 2013, the Company issued the first phase of offshore bonds (USD900 million) and the issuer is Haitong International Finance Holdings Limited, an indirect wholly-owned subsidiary of the Company. In order to enhance the repayment of bonds and lower the coupon rate, according to the authorization of the Company's first extraordinary general meeting in 2013, the authorized persons of the Company confirmed that guarantee would be provided for the first phase of offshore bonds by Bank of China Singapore Branch by way of opening standby letter of credit. Meanwhile, according to the resolution of the twenty-first meeting of the fifth session of the Board, the Company issued to Bank of China a letter of counter-guarantee regarding the standby letter of credit for the issuance of first phase of offshore bonds. The amount of counter-guarantee included the principal, interest and other relevant expenses of the issued first phase of offshore bonds. The guarantee is with joint and several liabilities and it ends on the date which is six months from the expiry of the standby letter of credit.

## SECTION V SIGNIFICANT EVENTS

4. According to the Resolution on Providing Guarantee for the Net Assets of Shanghai Haitong Securities Asset Management Co., Ltd. adopted at the twelfth meeting of the fifth session of the Board, the Company was approved by the Board to provide, at any time, the guarantee of no more than RMB1.5 billion for the net assets of HT Asset Management, to ensure that it maintains adequate net capital. On 9 June 2013, CSRC Shanghai Branch issued the Letter on No-objection to the Issuance of Net Capital Guarantee Commitment Letter by Haitong Securities Co., Ltd. to Shanghai Haitong Securities Asset Management Co., Ltd. (Hu Zheng Jian Ji Gou Zi [2013] No. 145), consenting the Company's providing security commitment of RMB800 million to HT Asset Management. The Company has deducted net capital of RMB800 million and correspondingly increased net capital of HT Asset Management by RMB800 million.

### (3) Other Material Contracts

The Company, as the lead underwriter, has underwritten 10-Year "2007 Corporate Bonds of Shanghai Huayi (Group) Company" issued by Shanghai Huayi (Group) Company, to which put-back option directed to the lead underwriter is attached, and the investors have the right to transfer all or part of related bonds to the Company on a specific time point. According to relevant regulatory requirement, the Company shall make deduction of net capital totaling RMB160 million at the proportion of 20% of the amount involved from September 2013.

## XIII. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

### 1. Change of Joint Company Secretary

The fourteenth meeting (extraordinary meeting) of the sixth session of the Board through voting by correspondence held on 11 December 2015 has considered and adopted the Resolution on Change of Joint Company Secretary of the Company, and Mr. Chau Kwok Ming has tendered to the Board his resignation as a joint company secretary of the Company due to other business engagements with effect from 14 December 2015. At the same time, the Board appointed Ms. Wong Wai Ling to take the office of Mr. Chau Kwok Ming as a joint company secretary of the Company.



## SECTION V SIGNIFICANT EVENTS

### 2. Capital Injection into China Securities Finance Corporation Limited

To maintain long-term stability of securities market, give an active role of securities companies and fulfill corporate social responsibility as practically as possible, the Company, on 6 July 2015, held the eighth meeting (extraordinary meeting) of the sixth session of the Board through voting by correspondence, which has considered and adopted the Resolution on Adjusting 2015's Proprietary Equity Securities Investment Scale of the Company; and the Company held the twelfth meeting (extraordinary meeting) of the sixth session of the Board through voting by correspondence on 1 September 2015, which has considered and adopted the Resolution on Increase of Contribution for Return Swaps Trading with China Securities Finance Corporation Limited, according to which the Board has agreed, within the scope authorized by the general meeting of the Company, to contribute RMB15 billion and RMB4.457 billion respectively at the proportion of 20% of net assets of the Company by the end of July 2015 and enter into the Master Agreement for OTC Derivatives Trading in the China Securities Futures Market and the Confirmation of Return Swaps Trading with China Securities Finance Corporation Limited for investment on blue-chip ETF. The abovementioned contribution has been accounted into the Company's annual proprietary equity securities and securities' derivatives investment scale quota (please refer to the announcements of the Company dated 6 July 2015 and 1 September 2015 for details), which is accounted for as available-for-sale financial assets.

### 3. Description of Share Repurchase

The Company, to respond to the call of CSRC for maintaining market stability and take the social responsibility of a listed securities company, held the ninth meeting (extraordinary meeting) of the sixth session of the Board on 8 July 2015, in which the Proposal on Requesting the General Meeting to Grant to the Board of Directors the General Mandate to Repurchase Part of A Shares or H Shares has been considered and adopted and such proposal was submitted to the second extraordinary general meeting in 2015, second A shareholders' class meeting in 2015, and second H shareholders' class meeting in 2015 held on 21 September 2015 for consideration and adoption.

In the abovementioned proposal, the Company has clearly specified that the repurchased shares will be cancelled in order to reduce the Company's registered capital, share incentive plans, employee stock ownership plans or share option plans, however, the second H shareholders' class meeting in 2015 failed to approve the Company's employee stock ownership plan, as a result, such repurchase will inevitably involve cancellation and capital reduction. According to the PRC Company Law, the Corporate Bond Issuance and Transaction Administrative Measures and relevant announcement regarding the Company's issued bonds, for the purpose of capital reduction, bonds holders' meeting must be held, as a result, holding the bonds holders' meeting has become a procedural prerequisite for the Company's action of repurchase. The Company issued the Announcement on Notice to Creditors and Indicative Announcement on Shares Repurchase on 24 September 2015, making necessary, prompt and full disclosure and presentation on such case.

## SECTION V SIGNIFICANT EVENTS

On 2 November 2015, due to the failure to satisfy the requirements under the Rules of Procedure of the Bonds Holders' Meeting, no effective resolution was adopted at the bondholders' meeting. After that, the Company maintained active and adequate communication with bondholders and trustees. However, some bondholders expressed in writing their requests for additional security in case of repurchase. Following approval of the repurchase program by the general meeting of the Company, international rating agency, Standard & Poor's, announced an update to the Company's credit rating, by which the Company's individual credit rating was downgraded by one rank and rating prospect was changed to negative considering that the repurchase will damage the Company's capital strength. In this case, forcing the implementation of share repurchase would cause the Company to provide additional guarantee to relevant bondholders or perform its repayment obligations in advance, which may bring the Company with relatively high operational risks, and affect the Company's normal operations and asset liquidity, which is not in line with the interests of the shareholders of the Company. Therefore, the Company, through careful study and assessment, prudently decides to terminate the implementation of the share repurchase in accordance with the authorisations granted by the shareholders' meetings, with a view to effectively protecting the investors' interest.

Details of repurchases was disclosed in the Company's announcements dated 9 July 2015, 21 September 2015, 24 September 2015, 28 September 2015, 22 October 2015, 2 November 2015 and 22 December 2015.

### 4. Subsidiaries' Bonds Issuance

#### 4.1 *Issuance of Guaranteed Bonds by Haitong International Securities*

Haitong International Securities, a subsidiary of the Company, issued guaranteed bonds in late January 2015 in nominal value of 700 million U.S. dollars with interest rate of 4.2 per cent. to be matured in 2020. The completion took place on 29 January 2015.

#### 4.2 *Issuance of US\$670 million five-year offshore bonds by Haitong International Holdings*

The wholly-owned subsidiary of Haitong International Holdings, Haitong International Finance Holdings 2015 Limited, on 21 April 2015, successfully completed the issuance of USD670 million five-year offshore bonds. The bond issue was guaranteed by Haitong Securities.

#### 4.3 *Subscription of convertible bonds of Haitong International Holdings*

In accordance with The Reply Letter of Consent on Subscription of Convertible Bonds of Haitong International Holdings Limited by Haitong Securities Co., Ltd. (Ji Gou Bu Bu Han [2012] No. 592) from the CSRC, the Company subscribed respectively in April and June 2013 for convertible bonds of Haitong International Holdings with an aggregate amount of HK\$4.85 billion. In light of the need for the development of overseas business, the Company has managed to increase the capital of Haitong International Holdings by converting bonds into shares in phases. The first phase of converting bonds into shares amounting to HK\$2.0 billion was completed on 4 December 2014; the second phase of converting bonds into shares amounting to HK\$2.85 billion was completed on 25 September 2015. After such conversions, the issued share capital of Haitong International Holdings reached HK\$8.85 billion.

## SECTION V SIGNIFICANT EVENTS

### **4.4 Issuance of Corporate Bonds of RMB2 Billion by Haitong Capital**

Haitong Capital, a wholly-owned subsidiary of the Company, was permitted to make a public offering of corporate bonds with a nominal value of no more than RMB2 billion to qualified investors, including RMB1.4 billion of 15 HCI 01 series and RMB600 million of 15 HCI 02 series, respectively.

### **4.5 Completion of Offering Subordinated Bonds by Haitong Futures**

Haitong Futures, a subsidiary of the Company, completed the issuance of subordinated bonds in the amount of RMB500 million with a term of six years for listing on the Shanghai Stock Exchange in mid-December 2015.

### **4.6 Issuance of Subordinated Bonds by HT Asset Management**

In mid-November 2015, HT Asset Management, a wholly-owned subsidiary of the Company, completed the issuance of 2015 subordinated bonds in the amount of RMB1 billion with a maturity of 3+2 years. The issuer has an option to adjust the coupon rate and investors are given a push option to the issuer by the end of the third interest accrual year within the duration of the bonds.

### **4.7 Issuance of Various Bonds by Haitong UniTrust Leasing**

Haitong UniTrust Leasing, a wholly-owned subsidiary of the Company, successfully issued the phase I asset-backed securities program of Haitong UniTrust Leasing with a size of RMB1,362 million in July 2015.

In June 2015, Haitong UT, a wholly-owned subsidiary of the Company, completed the issuance of its first tranche of offshore RMB bonds in 2015, being the third drawdown under its medium term note programme set in 2014, with an issue size of RMB1 billion, maturity term of 3 years.

Haitong UniTrust Leasing, on 30 June 2015, successfully obtained a syndicate loan from Taiwanese banks in the amount of USD80 million, which was the Company's first pure credit syndicate, taking the first step for the Company's follow-up credit loan, reduction of restricted asset and upward rating.

Haitong UniTrust Leasing, on 18 December 2015, received the acceptance notice of registration of RMB1.2 billion perpetual medium term notes from the National Association of Financial Market Institutional Investors, becoming the first leasing company in China with perpetual medium term notes registration.

## SECTION V SIGNIFICANT EVENTS

### 5. Capital Increase of Subsidiaries

#### 5.1 *Completion of Capital Increase of Haitong Capital*

According to the Resolution on Capital Contributions to Haitong Capital Investment Co., Ltd. considered and approved at the fifth meeting of the sixth session of the Board held by the Company in May 2015, the Company increased capital of Haitong Capital by RMB1.3 billion in cash. The above-mentioned capital increase was completed in June 2015.

In September 2015, the Company decided to increase the capital of Haitong Capital by RMB350 million in cash according to the Resolution on the General Mandate of Capital Contributions to Subsidiaries and Establishment of Subsidiaries of the Company considered and passed at the fourth meeting of the sixth session of the Board. On 14 October 2015, Haitong Capital obtained a new business license from Shanghai Municipal Administration for Industry and Commerce.

#### 5.2 *Completion of Capital Increase of Haitong Innovation Securities*

According to the Resolution on the General Mandate of Capital Contributions to Subsidiaries and the Establishment of Subsidiaries of the Company considered and passed at the fourth meeting of the sixth session of the Board, the Company completed capital increase of Haitong Innovation Securities by RMB500 million in September 2015. After the capital increase, the registered capital of Haitong Innovation Securities increased from RMB3.0 billion to RMB3.5 billion.

#### 5.3 *Completion of Capital Increase of Haitong Futures*

According to the Resolution on Capital Contributions to Haitong Futures Co., Ltd. considered and passed at the eighth meeting of the sixth session of the Board, the Company increased the registered capital of Haitong Futures in September 2015. After the capital increase, the registered capital of Haitong Futures increased from RMB1.0 billion to RMB1.3 billion.

#### 5.4 *Completion of Capital Increase of Haitong Bank*

According to the Resolution on the General Mandate of Capital Contributions to Subsidiaries and the Establishment of Subsidiaries of the Company considered and passed at the fourth meeting of the sixth session of the Board, Haitong International Holdings, a wholly-owned subsidiary of the Company, increased capital contribution to Haitong Bank by EUR100 million on 17 December 2015. Upon completion of capital increase, Haitong Bank's registered capital changed from EUR326,269,000.00 to EUR426,269,000.00.

## SECTION V SIGNIFICANT EVENTS

### **5.5 Completion of Rights Issue and Capital Increase by Haitong International Securities**

As considered and adopted at the third meeting of the sixth session of the board of directors held by Haitong International Holdings, a wholly-owned subsidiary of the Company, on 13 April 2014, Haitong International Securities conducted rights issue on the basis of one share for one share at the rights issue price of HK\$3.50 each in mid March 2015. Total amount of rights shares which had been effectively accepted and applied for is equivalent to 4.69 times of 2,533,453,008 rights shares available for subscription under the rights issue. Haitong International Holdings, as the controlling shareholder of Haitong International Securities, made full subscription of shares assigned to it. The rights issue has been completed on 22 May 2015, expanding the capital size of Haitong International Securities.

## **6. Acquisition and Incorporation of Subsidiaries**

### **6.1 Completion of Acquisition of Haitong Bank and Renaming Procedures**

The Company completed settlement of the share acquisition of BESI on 7 September 2015 (Portugal Time). BESI became a wholly-owned subsidiary of the Company and was officially renamed as Haitong Bank upon closing.

### **6.2 Establishment of Haitong Xinchuang**

In February 2015, Haitong Capital established a subsidiary, Haitong Xinchuang. Meanwhile, Haitong Capital and Hefei Xingtai Holding Group jointly promoted and established Haitong Xingtai (Anhui) Emerging Industrial Investment Fund, and its fund manager is Haitong Xinchuang.

### **6.3 Incorporation of Haitong Zhongtou Financial Service (Shanghai) Co., Ltd.**

The eleventh meeting of the sixth session of the Board considered and approved the Resolution on the Establishment of Haitong Zhongchuang Financial Service Co., Ltd. (in preparation). Haitong Capital, a wholly-owned subsidiary of the Company, incorporated Haitong Zhongtou Financial Service (Shanghai) Co., Ltd. ("Haitong Zhongtou") with a registered capital of RMB100 million. Haitong Zhongtou obtained business license on 18 November 2015.

### **6.4 Acquisition of Japaninvest Group plc by Haitong International Securities through its wholly-owned subsidiary**

The agreement between Haitong International (BVI) Limited, a wholly-owned subsidiary of Haitong International Securities (a subsidiary of the Company), and Japaninvest Group plc ("Japaninvest") in respect of acquiring Japaninvest came into effect in late March 2015. The acquisition was completed.

## SECTION V SIGNIFICANT EVENTS

### 7. Penalty and Public Denunciation Imposed on the Company during the Year

#### ***7.1 Imposed by CSRC with Administrative Regulatory Measures of Suspension of Opening New Margin Financing and Securities Lending Customer Credit Accounts for Three Months due to Non-compliance in Margin Financing and Securities Lending Business.***

On 16 January 2015, the Company received from CSRC the Decision to Suspend Haitong Securities Co., Ltd. from Opening New Margin Financing and Securities Lending Customer Credit Accounts for Three Months. The Company attached great importance to operations in compliance and risk management of margin financing and securities lending business and has taken specific corrective measures in a timely manner in respect of the inspection results and penalty decision of CSRC. For details, please refer to the Company's announcement dated 19 January 2015. During the Reporting Period, the Company filed the correction report with CSRC and re-launched opening new margin financing and securities lending customer credit accounts in April 2015.

#### ***7.2 Receipt of Advance Notice of Administrative Penalty from the CSRC***

On 24 August 2015, the Company received from CSRC the Notice of Investigation (Jin Zheng Diao Cha Zi No. [2015011]). CSRC had decided to carry out an investigation against the Company pursuant to the PRC Securities Law for suspected violations of the Company in relation to failure to review and verify the identity of clients in accordance with the rules. For details, please refer to the Company's announcement dated 25 August 2015. On 10 September 2015, the Company received CSRC's Advance Notice of Administrative Penalty (Chu Fa Zi [2015] No. 73) on this issue. Hangzhou Jiefang Road Securities Business Department and Shanghai Jianguo West Road Securities Business Department opened up dedicated lines connection to the HOMS system of Hangzhou Hundsun Internet Technology Services Co., Ltd. (杭州恒生網絡技術服務有限責任公司). Two dedicated lines were brought online after concurrent review and assessment by the retail and internet finance department, the IT management department, and the compliance and risk management headquarters. Haitong Securities failed to conduct software verification and confirmation with respect to the aforementioned external third party transaction software and failed to implement effective management measures on external systems, and lacked understanding on the identity of relevant clients. As a result, CSRC proposed to impose penalty on the Company and responsible personnel. For details, please refer to the Company's announcement dated 11 September 2015. The Company and Mr. Song Shihao have made a statement and defense in respect of the penalty, The Company has taken corrective measures as required by the regulatory authorities and made full provision in the principle of prudence. So far there is no further progress in respect of this matter.

## SECTION V SIGNIFICANT EVENTS

### 7.3 Receipt of Investigation Notice from CSRC

On 26 November 2015, the Company received an investigation notice (Ji Cha Zong Dui Diao Cha Tong Zi No.153122) from CSRC. As the Company is suspected to have breached the relevant provisions of the Regulations on the Supervision and Administration of Securities Companies, CSRC has decided to initiate investigation proceedings against the Company in accordance with the PRC Securities Law. The Company paid great attention to this investigation and immediately conducted an urgent internal check on relevant businesses of the Company. The Company published the Announcement on Receipt of Investigation Notice from CSRC on 27 November 2015 in compliance with relevant rules of information disclosure of listed companies. After that, the Company continued further checks on relevant businesses of the Company centred on this investigation. On 28 November 2015, after various checks and verifications, it is understood that the Company is suspected to have breached the provisions of “failing to enter into business contract with customer in accordance with rules” under Article 84 of the Regulations on the Supervision and Administration of Securities Companies in its margin financing and securities lending business, and thus CSRC has decided to initiate investigation against the Company. For details, please refer to the Company’s announcement dated 29 November 2015. No material violation or non-compliance has been discovered by the Company upon internal checks. The Company will continue to fully cooperate with CSRC in the investigation and strictly fulfill its disclosure obligations in accordance with relevant rules going forward. So far there is no further progress in respect of this matter.

## XIV. ACTIVELY FULFILLING SOCIAL RESPONSIBILITY

### (I) Performance of social responsibility

Please refer to 2015 Annual Report on Social Responsibility of Haitong Securities Co., Ltd. disclosed by the Company on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>). Relevant discussions about the Company’s environmental policies and performance are summarised as below:

In 2015, the Company promoted a paperless project to the fullest extent. Electronic documents were used during the business processes to lower operational costs and enhance overall management capabilities at the headquarters. Particularly, the Internet-based accounts opening procedures have substantially reduced the printing and use of paper documents. In addition, the project generated 17.56 million of electronic agreements, saving 126.23 million pieces of A4 papers during the year. In terms of a 70-gram copy paper, up to 551 tons of papers were saved, which is equivalent to more than 50,000 cubic meters of water resources and more than 8,000 trees.

## SECTION V SIGNIFICANT EVENTS

The Company conducted a comprehensive expansion of online transactions, portal sites, Internet-based accounts openings, call centers and online stores systems in 2015. During the year, the Company procured around 150 servers, all of which were incorporated with virtualization technology. Moreover, the Company achieved energy conservation and consumption reduction by maximizing usage of all resources of hardware platforms, simplifying system structure, lowering management difficulties, increasing equipment efficiency, and reducing power consumption and the amount of space occupied by devices. The adoption of virtualization technology led to the utilization rate of each server surging from 7% to 60-80%, and the decrease of power consumption by 70-80%. Based on the ratio of one physical server to four virtual computers, the Company is enjoying the utilization of 600 servers with 150 physical servers, implying that the Company has saved 450 servers (75% of servers). As the power consumption of each device is 460w, the Company is able to save approximately 207kwh per day, a total of approximately 75,000kwh per year.

All the server rooms of the Company adopt KVM system (the direct connection between the switches and keyboards, video monitors and mice to access to and control computers) so as to manage hosts in server rooms. This can substantially reduce the total quantity of keyboards, video monitors and mice.

### XV. CONVERTIBLE CORPORATE BONDS

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

### XVI. OTHER DISCLOSURES

#### (1) Pre-emptive Right Arrangement

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

#### (2) Sufficiency of Public Float

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



## SECTION V SIGNIFICANT EVENTS

### (3) Directors' Interest in the Business Competing with the Company

Mr. Chen Bin, a non-executive Director of the Company, has been a non-executive director of Orient Securities Company Limited since October 2014. Mr. Xu Chao, a non-executive Director of the Company, has been a non-executive director of Orient Securities Company Limited since March 2011. Ms. Zhang Xinmei, a non-executive Director of the Company, has been a director of Shenyin & Wanguo Securities Co., Ltd. (currently known as Shenwan Hongyuan Group Co., Ltd.) since 2012. As Orient Securities Company Limited is engaged in, among others, securities brokerage, securities investment consultation, financial consultation service relating to securities trading and securities investment, proprietary trading, margin financing and securities lending, securities underwriting, securities investment fund agency, share options market making and etc., and Shenwan Hongyuan Group Co., Ltd. is engaged in investment management, industrial investment, equity investment and investment consultation, Orient Securities Company Limited and Shenwan Hongyuan Group Co., Ltd. compete or are likely to compete, either directly or indirectly, with some aspects of the business of the Company. Save as disclosed above, none of the Directors has any interest in the business which competes or is likely to compete, either directly or indirectly, with the Company's business.

### (4) Directors' and Supervisors' Service Contracts

None of the Directors or Supervisors has a service contract with the Company or its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

### (5) Directors' and Supervisors' interests in Transaction, Arrangement or Contract of Significance

During the Reporting Period, the Directors or Supervisors or an entity connected with any Director or Supervisor of the Company did not have any material interests, whether directly or indirectly, in any transaction, arrangement or contract of significance entered into by the Company or its subsidiaries.

### (6) Share Option Scheme

The Resolution on Adoption of Share Option Scheme for Haitong International Securities Group Limited was considered and passed at the 2014 annual general meeting of the Company. At the extraordinary general meeting held on 8 June 2015, Haitong International Securities considered and approved the adoption of a new share option scheme, which is valid and effective for a period of 10 years commencing from the date of adoption. As at 31 December 2015, Haitong International Securities has not granted any share options under the scheme. (For further information, please refer to the 2015 annual report of Haitong International Securities.)

## SECTION V SIGNIFICANT EVENTS

### (7) Major Clients and Suppliers

The Company serves a diverse base of institutional and retail clients across a spectrum of sectors. The Company's clients range from large state-owned enterprises, multinational corporations and SME clients to high net worth individuals and retail customers. Its clients are primarily located in the PRC. The improving network layout will help the Company provide overseas services and expand its customers' source. In 2015, revenue attributable to the five largest clients of the Company accounted for 1.04% of the Group's total revenue and other income.

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

### (8) Tax Relief

#### *Holders of A Shares*

According to the Circular of the Ministry of Finance, the State Administration of Taxation and the CSRC on Relevant Issues concerning Implementation of Differentiated Individual Income Tax Policies for Dividends of Listed Companies (Cai Shui [2012] No. 85), for individual shareholders of the Company who hold shares for a period (from the date of an individual's acquirement of the shares of a listed company from the public offer and transfer market to the date prior to the date of transfer and settlement of such shares) of within one month (including one month), their dividends are fully included in taxable income (effective tax rate is 20%); for those who hold shares for a period of over one month to one year (including one year), 50% of their dividends are temporarily included in taxable income (effective tax rate is 10%); for those who hold shares for a period of over one year, 25% of their dividends are temporarily included in taxable income (effective tax rate is 5%). When distributing dividends, the listed company withholds individual income tax for its individual shareholders at a temporarily uniform tax rate of 5%. When an individual transfers his/her shares, the securities depository and clearing company calculates the actual taxable income according to his/her period for holding shares, and the company withholds tax otherwise through the securities depository and clearing company for the part in excess of the withheld tax. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the Cai Shui [2012] No. 85 requirements. For shareholders who are resident enterprises, the income tax on their cash dividends shall be payable on their own.

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

## SECTION V SIGNIFICANT EVENTS

### *Holders of H Shares*

Pursuant to the Notice of the PRC State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No.045 (Guo Shui Han [2011] No. 348), the dividend received by the overseas resident individual shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong is subject to the payment of individual income tax according to the items of “interests, dividend and bonus income”, which shall be withheld by the responsible withholding parties according to the relevant laws. The overseas resident individual shareholders who hold the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China or the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividend, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividend is not equal to 10%, the following provisions shall apply: (1) for citizens from countries under agreements to be entitled to tax rates lower than 10%, the withholding parties will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, over with-held tax amounts will be refunded; (2) for citizens from countries under agreements to be entitled to tax rates higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividend (bonus), and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividend.

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

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

### **(9) Contract of Significance**

During the Reporting Period, the Company did not have any shareholder who held directly more than 5% of shares or any de facto controller, neither any contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries (as defined in Appendix 16 to the Hong Kong Listing Rules).

## SECTION V SIGNIFICANT EVENTS

### (10) Management Contract

During the Reporting Period, no contracts were entered into and subsisted (other than the service contracts with any Director or Supervisor or any of the full-time employee of the Company), and pursuant to which, the management and administration of the whole or any substantial part of the business of the Company were undertaken by any individual, firm or body corporate.

### (11) Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has arranged appropriate insurance coverage for potential legal actions and liabilities against the Directors, the Supervisors and the senior management.

### (12) Equity-linked Agreement

No equity-linked agreements were entered into by the Group or subsisted during the Reporting Period.

## SECTION VI CHANGES IN ORDINARY SHARE AND PARTICULARS ABOUT SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES

#### (I) Table of changes in ordinary shares

##### 1. Table of changes in ordinary shares

	Before the change		Changes(+, -)		After the change	
	Number of shares	Percentage (%)	New issuance	Sub-total	Number of shares	Percentage (%)
<b>I. Shares subject to trading moratorium</b>						
1. Shares held by state	-	-	-	-	-	-
2. Shares held by state-owned legal persons	-	-	-	-	-	-
3. Shares held by other domestic investors	-	-	-	-	-	-
Including: Shares held by domestic non state-owned legal persons	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-
4. Shares held by foreign investors	-	-	-	-	-	-
Including: Shares held by foreign legal persons	-	-	-	-	-	-
Shares held by foreign natural persons	-	-	-	-	-	-
<b>II. Circulating shares not subject to trading moratorium</b>						
<b>moratorium</b>	9,584,721,180	100	+1,916,978,820	+1,916,978,820	11,501,700,000	100
1. RMB denominated ordinary shares	8,092,131,180	84.43	-	-	8,092,131,180	70.36
2. Foreign shares listed in the PRC	-	-	-	-	-	-
3. Foreign shares listed overseas	1,492,590,000	15.57	+1,916,978,820	+1,916,978,820	3,409,568,820	29.64
4. Others	-	-	-	-	-	-
<b>III. Total number of ordinary shares</b>						
	9,584,721,180	100	+1,916,978,820	+1,916,978,820	11,501,700,000	100

## SECTION VI CHANGES IN ORDINARY SHARE AND PARTICULARS ABOUT SHAREHOLDERS

### **2. Particulars about changes in ordinary shares**

On 9 February 2015, the Company convened the first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015, at which the Proposal on Issue of New H Shares by the Company was considered and approved. In May 2015, the Company received the Reply of Approving Issue of Overseas Listed Foreign Shares by Haitong Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 811) issued by CSRC, which approves the Company to issue up to 1,916,978,820 overseas listed foreign shares (H Shares) with a nominal value of RMB1 each (all being ordinary shares). On 8 May 2015, the Company has obtained the approval for listing of, and permission to deal in, the new H Shares from the Hong Kong Stock Exchange. The Company completed the issuance of 1,916,978,820 new H Shares on 29 May 2015, among which completion in relation to 1,048,141,220 new H Shares took place on 15 May 2015 while completion in relation to 868,837,600 new H Shares took place on 29 May 2015. The Company's total share capital amounted to 9,584,721,180 shares before the issue of new H Shares and all of the Company's shareholders were not subject to trading moratorium, while the total share capital amounted to 11,501,700,000 shares after the issue of new H Shares, of which 8,092,131,180 were A Shares and 3,409,568,820 were H Shares and all of the Company's shareholders were not subject to trading moratorium.

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

During the Reporting Period, the Company successfully completed issuance of new H Shares with its share capital increased from 9,584,721,180 shares to 11,501,700,000 shares. The increase in its share capital has diluted the Company's earnings per share for the Reporting Period and net assets per share as at the end of the Reporting Period. The Company's basic earnings per share for 2015 calculated based on the weighted average share capital amounted to RMB1.48 and net assets per share attributable to the shareholders of the listed company based on the total share capital as at the end of the Reporting Period amounted to RMB9.36.

### **(II) Changes in restricted shares**

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

## SECTION VI CHANGES IN ORDINARY SHARE AND PARTICULARS ABOUT SHAREHOLDERS

### II. SECURITIES ISSUANCE AND LISTING

#### (I) Issuances of securities as at the end of the Reporting Period

*Unit: Share*

Type of stocks and derivative securities	Date of issuance	Issue price (or rate)	Issue size	Date of listing	Amount approved for listing and trading	Date of termination of trading
<b>Ordinary shares</b>						
H Shares	15 May 2015	HK\$17.18	1,048,141,220	15 May 2015	1,048,141,220	–
H Shares	29 May 2015	HK\$17.18	868,837,600	29 May 2015	868,837,600	–
<b>Convertible corporate bonds, warrant bonds and corporate bonds</b>						
Subordinated bonds	8 April 2015	5.50%	RMB15 billion	11 May 2015	RMB15 billion	4 April 2018*
Subordinated bonds	12 June 2015	5.30%	RMB15 billion	26 August 2015	RMB15 billion	7 June 2017*
Subordinated bonds	12 June 2015	5.38%	RMB5 billion	26 August 2015	RMB5 billion	7 June 2018*

\* The date of termination of trading will vary depends on whether option of redemption will be exercised or not.

Particulars about issuances of securities as at the end of the Reporting Period:

On 9 February 2015, the Company convened the first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015, at which the Proposal on Issue of New H Shares by the Company was considered and approved. In May 2015, the Company received the Reply of Approving Issue of Overseas Listed Foreign Shares by Haitong Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 811) issued by CSRC, which approves the Company to issue overseas listed foreign shares (H Shares) on the Hong Kong Stock Exchange. As at 29 May 2015, the Company had completed the non-public issuance of 1.917 billion overseas listed foreign shares (H Shares) at HK\$17.18 per share. A total of HK\$32.934 billion of subscription amount was paid up in cash in HK dollars. After deducting the costs of issuance and listing, the total proceeds of the above-mentioned issuance amounted to HK\$32.747 billion. As at 31 December 2015, all the proceeds had been utilised by the Company in accordance with the intended uses of proceeds as per the announcement of the Company dated 21 December 2014.

On 19 December 2014, the Proposal on the General Mandate to Issue Other Onshore Debt Financing Instruments was considered and passed at the thirty-second meeting of the fifth session of the Board of the Company, which was subsequently considered and approved at the first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015 convened by the Company on 9 February 2015. It was resolved that the Company may issue other debt financing instruments (excluding short-term financing bills of securities companies and corporate bonds) on a one-off or multiple issuances or multi-tranche issuances domestically through public or non-public offerings, for a total value

## SECTION VI CHANGES IN ORDINARY SHARE AND PARTICULARS ABOUT SHAREHOLDERS

of not exceeding 200% of net assets of the Company as at the end of the preceding period. In 2015, the Company issued two tranches of subordinated bonds totaling RMB35 billion. The first tranche of RMB15 billion was issued on 8 April 2015 with a maturity of five years and issuer's right of redemption at the end of the third year. The issuance of the second tranche of RMB20 billion was completed on 12 June 2015. It consisted of RMB15 billion of first type bonds with a maturity of three years and issuer's right of redemption at the end of the second year; and RMB5 billion of second type bonds with a maturity of five years and issuer's right of redemption at the end of the third year.

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

As of 29 May 2015, the Company completed the private placement of overseas listed foreign shares (H Shares) on the Hong Kong Stock Exchange. Upon completion of this issuance, the total number of the Company's shares increased from 9,584,721,180 to 11,501,700,000, including 8,092,131,180 A Shares and 3,409,568,820 H Shares. The Company did not have any shareholder directly holding more than 5% shares. Details of changes in assets and liabilities of the Company are set out in item no. 5. "Analysis on principal components of consolidated statement of financial position" under paragraph II in Section IV in this Report.

### (III) Existing internal employee shares

As at the end of the Reporting Period, the Company had no internal employee shares.

## III. SHAREHOLDERS AND THE DE FACTO CONTROLLERS

### (I) Total number of shareholders

Total number of ordinary shareholders (accounts)	333,047	(of which 332,601 were holders of
as at the end of the Reporting Period		A Shares and 446 were holders of H Shares)
Total number of ordinary shareholders (accounts)	322,064	(of which 321,617 were holders of A
as at the end of the previous month prior to		Shares and 447 were holders of H Shares)
the date of disclosure of the annual report		



## SECTION VI CHANGES IN ORDINARY SHARE AND PARTICULARS ABOUT SHAREHOLDERS

(II) The table below sets out the shareholdings of the top ten shareholders, the top ten shareholders of circulating shares (or shareholders not subject to trading moratorium) as at the end of the Reporting Period

Unit: Share

Shareholdings of the top ten shareholders							
Name of shareholders (Full name)	Changes in the number of shares during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Particulars of shares pledged or frozen		Nature of shareholders
					Particulars of shares	Number of shares	
Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited")	1,916,976,083	3,409,153,183	29.64	0	Nil	0	Foreign legal person
Bright Food (Group) Co., Ltd.	-8,500,000	402,150,000	3.50	0	Pledged	210,000,000	State-owned legal person
Shanghai Haiyan Investment Management Company Limited	0	400,709,623	3.48	0	Nil	0	State-owned legal person
China Securities Finance Corporation Limited	362,253,171	362,253,171	3.15	0	Nil	0	Others
Shanghai Electric (Group) Corporation	55,565,815	334,533,272	2.91	0	Nil	0	State
Shenergy Group Company Limited	0	322,162,086	2.80	0	Nil	0	State-owned legal person
Shanghai Jiushi (Group) Co., Ltd.	0	235,247,280	2.05	0	Nil	0	State-owned legal person
Shanghai Bailian Group Co., Ltd.	0	214,471,652	1.86	0	Nil	0	Domestic non state-owned legal person
Wenhui-Xinmin United Press Group	-3,500,000	160,829,853	1.40	0	Nil	0	State-owned legal person
Shanghai Lansheng Corporation	31,856,000	151,733,700	1.32	0	Nil	0	State-owned legal person

### Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of circulating shares held not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	3,409,153,183	Foreign shares listed overseas	3,409,153,183
Bright Food (Group) Co., Ltd.	402,150,000	RMB denominated ordinary shares	402,150,000
Shanghai Haiyan Investment Management Company Limited	400,709,623	RMB denominated ordinary shares	400,709,623
China Securities Finance Corporation Limited	362,253,171	RMB denominated ordinary shares	362,253,171
Shanghai Electric (Group) Corporation	334,533,272	RMB denominated ordinary shares	334,533,272
Shenergy Group Company Limited	322,162,086	RMB denominated ordinary shares	322,162,086
Shanghai Jiushi (Group) Co., Ltd.	235,247,280	RMB denominated ordinary shares	235,247,280
Shanghai Bailian Group Co., Ltd.	214,471,652	RMB denominated ordinary shares	214,471,652
Wenhui-Xinmin United Press Group	160,829,853	RMB denominated ordinary shares	160,829,853
Shanghai Lansheng Corporation	151,733,700	RMB denominated ordinary shares	151,733,700

## SECTION VI CHANGES IN ORDINARY SHARE AND PARTICULARS ABOUT SHAREHOLDERS

Notes:

1. Among the H Shareholders of the Company, HKSCC Nominees Limited held the H Shares on behalf of the non-registered shareholders.
2. In the above table, the shares held by HKSCC Nominees Limited are foreign shares listed overseas (H Shares) and the shares held by other shareholders are RMB denominated ordinary A Shares.
3. The nature of shareholders of A Shares represents that of accounts registered by such shareholders in Shanghai Branch of China Securities Depository and Clearing Corporation Limited.
4. As the shares of the Company are subject of margin financing and securities lending, the number of shares held by a shareholder is calculated based on the aggregated number of shares and interests held by such shareholder through ordinary securities accounts and credit securities accounts.

### (III) Substantial shareholders and other persons' interests and short positions in the shares and underlying shares

As at 31 December 2015, so far as the Directors, having made all reasonable enquiries, are aware, the following parties (other than the Directors, Supervisors and chief executive of the Company) had an interest or short position in the shares or underlying shares, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to section 336 of the SFO:

No.	Name of substantial shareholders	Type of share	Nature of interests	Number of shares held (shares)	Percentage of total issued shares of the Company (%)	Percentage of total issued A Shares/ H Shares of the Company (%)	Long position (Note 3)/ short position (Note 4)/ interests in lending pool
1.	Bright Food (Group) Co., Ltd.	A Share	Beneficial owners (Note 1)	402,150,000	3.50	4.97	Long position
2.	Shanghai Haiyan Investment Management Company Limited	A Share	Beneficial owners (Note 1)	400,709,623	3.48	4.95	Long position
3.	Maunakai Capital Partners (Hong Kong) Limited	H Share	Investment manager	272,244,000	2.37	7.98	Long position
4.	BSA Strategic Fund I	H Share	Beneficial owners	271,844,000	2.36	7.97	Long position
5.	Insight Capital Management (Hong Kong) Limited	H Share	Investment manager	223,415,200	1.94	6.55	Long position
6.	Insight Phoenix Fund	H Share	Investment manager	223,415,200	1.94	6.55	Long position
7.	Shi Jing	H Share	Interests in controlled corporation (Note 2)	248,000,000	2.16	7.27	Long position
8.	Shi Yu Zhu	H Share	Interests in controlled corporation (Note 2)	248,000,000	2.16	7.27	Long position
9.	Vogel Holding Group Limited	H Share	Beneficial owners (Note 2)	248,000,000	2.16	7.27	Long position
10.	BlackRock, Inc.	H Share	Interests in controlled corporation	229,183,087	1.99	6.72	Long position
		H Share	Interests in controlled corporation	45,200	0.00	0.00	Short position

## SECTION VI CHANGES IN ORDINARY SHARE AND PARTICULARS ABOUT SHAREHOLDERS

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

*Note 2:* Such 248,000,000 shares represent the same block of shares.

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

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

Save as disclosed above, as at 31 December 2015, the Company was not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register pursuant to Section 336 of the SFO.

### ***Directors, Supervisors and chief executive's interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations***

As at 31 December 2015, according to the information obtained by the Company and so far as the Directors are aware, the following Director(s), Supervisor(s) or chief executive of the Company had the interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange:

## SECTION VI CHANGES IN ORDINARY SHARE AND PARTICULARS ABOUT SHAREHOLDERS

No.	Name of directors	Type of share		Number of shares held (share)	Percentage of total issued shares of the Company (%)	Percentage of total issued A Shares/ H Shares of the Company (%)	Long position (Note 1)/ short position (Note 2)/ interests in lending pool
		Nature of interests					
1.	Liu Cheeming	H Shares	Beneficial owner	1,000,000	0.01	0.03	Long position

*Note 1:* A shareholder has a “long position” if such shareholder has an interest in shares, including interests through holding, selling or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to purchase the underlying shares; (ii) such shareholder is under an obligation to purchase the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares increases; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares increases.

*Note 2:* A shareholder has a “short position” if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, sells or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to subscribe the underlying shares; (ii) such shareholder is under an obligation to deliver the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares declines; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares declines.

### IV. CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

#### Specific explanation of non-existence of controlling shareholder of the Company

Due to the diverse shareholding of the Company, no shareholder directly held more than 5% of the shares of the Company (excluding HKSCC Nominees Limited). HKSCC Nominees Limited held shares on behalf of the non-registered H shareholders.

#### Specific explanation of non-existence of de facto controller of the Company

The Company had no de facto controller.

### V. EXPLANATION OF RESTRICTION OF SHAREHOLDING REDUCTION

✓N/A

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

During the Reporting Period, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed the securities of the Company, other than trading of the securities by the Company or its subsidiaries on behalf of the clients.

## SECTION VII PREFERRED SHARES

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

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

### I. CHANGES IN SHAREHOLDING AND REMUNERATION

#### (I) Changes in shareholding and remuneration of current and resigned Directors, Supervisors and senior management during the Reporting Period

*Unit: ten thousands shares*

Name	Position (Note)	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in the number of shares during the year	Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period (RMB' 0000)	Whether received remuneration from related party of the Company or not
Wang Kaiguo	Chairman, secretary of CPC Party Committee	Male	57	30 December 2014	30 December 2017	0	0	0		93.75	No
Qu Qiuping	Executive Director, General Manager, deputy secretary of CPC Party Committee	Male	54	30 December 2014	30 December 2017	0	0	0		93.75	No
Yu Liping	Non-executive Director	Female	53	8 June 2015	30 December 2017	0	0	0		0	Yes
Chen Bin	Non-executive Director	Male	34	30 December 2014	30 December 2017	0	0	0		0	No
Xu Chao	Non-executive Director	Male	60	30 December 2014	30 December 2017	0	0	0		0	No
Wang Hongxiang	Non-executive Director	Male	59	30 December 2014	30 December 2017	0	0	0		0	No
Shen Tiedong	Non-executive Director	Male	46	8 June 2015	30 December 2017	0	0	0		0	Yes
Zhang Xinmei	Non-executive Director	Female	56	30 December 2014	30 December 2017	0	0	0		0	Yes
Liu Chee Ming	Independent non-executive Director	Male	64	30 December 2014	30 December 2017	0	100	100	Note 2	12	Yes
Xiao Suining	Independent non-executive Director	Male	67	30 December 2014	30 December 2017	0	0	0		12	Yes
Li Guangrong	Independent non-executive Director	Male	52	30 December 2014	30 December 2017	0	0	0		12	Yes
Lyu Changjiang	Independent non-executive Director	Male	50	30 December 2014	30 December 2017	0	0	0		12	No
Feng Lun	Independent non-executive Director	Male	56	30 December 2014	30 December 2017	0	0	0		12	Yes
Zhuang Guowei (resigned)	Non-executive Director	Male	61	30 December 2014	8 June 2015	0	0	0		0	No
He Jianyong (resigned)	Non-executive Director	Male	53	30 December 2014	8 June 2015	0	0	0		0	No
Shou Weiguang	Chairman of the Supervisory Committee	Male	52	8 July 2015	30 December 2017	0	0	0		0	No
Yang Qingzhong	Vice chairman of the Supervisory Committee, secretary of the discipline inspection commission and deputy secretary of CPC party committee	Male	59	30 December 2014	30 December 2017	0	0	0		86.39	No
Li Lin	Supervisor	Male	53	30 December 2014	30 December 2017	0	0	0		0	Yes
Zheng Xiaoyun	Supervisor	Female	53	21 September 2015	30 December 2017	0	0	0		0	Yes

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

Name	Position (Note)	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in the number of shares during the year	Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period (RMB' 0000)	Whether received remuneration from related party of the Company or not
Cheng Feng	Supervisor	Male	44	30 December 2014	30 December 2017	0	0	0		0	Yes
Chen Huifeng	Supervisor	Male	49	30 December 2014	30 December 2017	0	0	0		0	No
Feng Huang	Supervisor	Male	44	30 December 2014	30 December 2017	0	0	0		0	Yes
Hu Jingwu	Supervisor	Male	60	30 December 2014	30 March 2016	0	0	0		0	Yes
Xu Qi	Supervisor	Male	53	30 December 2014	30 December 2017	0	0	0		0	Yes
Qiu Xiaping	Employee Supervisor	Female	55	30 December 2014	30 December 2017	0	0	0		147.94	No
Wang Meijuan	Employee Supervisor	Female	51	30 December 2014	30 December 2017	0	0	0		145.70	No
Hu Hairong	Employee Supervisor	Female	44	30 December 2014	30 December 2017	0	0	0		144.97	No
Song Shihao	Employee Supervisor	Male	46	8 July 2015	30 December 2017	0	0	0		124.72	No
Dong Xiaochun (resigned)	Supervisor	Male	51	30 December 2014	9 July 2015	0	0	0		0	Yes
Ji Yuguang	Deputy General Manager	Male	58	30 December 2014	30 December 2017	0	0	0		86.39	No
Ren Peng	Deputy General Manager	Male	53	30 December 2014	30 December 2017	0	0	0		86.39	No
Li Xunlei	Deputy General Manager	Male	52	30 December 2014	30 December 2017	0	0	0		215.35	No
Hiroki Miyazato	Deputy General Manager	Male	50	30 December 2014	30 December 2017	0	0	0		215.35	No
Pei Changjiang	Deputy General Manager	Male	50	30 December 2014	30 December 2017	0	0	0		86.39	No
Wang Jianye	Chief Risk Control Executive and General Compliance Officer	Male	55	30 December 2014	30 December 2017	0	0	0		195.19	No
Li Chuqian	Chief Financial Officer	Male	58	30 December 2014	30 December 2017	0	0	0		195.19	No
Huang Zhenghong	Secretary to the Board	Male	40	12 March 2015	30 December 2017	0	0	0		169.07	No
Li Jianguo	Assistant to General Manager	Male	52	30 December 2014	30 December 2017	0	0	0		462.90	No
Chen Chungqian	Assistant to General Manager	Male	52	30 December 2014	30 December 2017	0	0	0		172.39	No
Zhang Xiangyang	Assistant to General Manager	Male	50	30 December 2014	30 December 2017	0	0	0		301.98	No
Lin Yong	Assistant to General Manager	Male	46	30 December 2014	30 December 2017	0	0	0		326.50	No
Jin Xiaobin (resigned)	Secretary to the Board	Male	61	30 December 2014	28 April 2015	0	0	0		113.83	No
Total	/	/	/	/	/	0	100	100	/	2,432.77	

### Notes:

- The total remuneration mentioned above does not include the remunerations of Li Jianguo and Lin Yong, both assistant to General Manager of the Company, received from Haitong International Holdings and Haitong International Securities, nor the remunerations of Zhang Xiangyang, assistant to General Manager of the Company, received from Haitong Capital.
- Mr. Liu Chee Ming, independent non-executive Director of the Company, purchased an aggregate of 1,000,000 H Shares during 22 to 24 July 2015. As at the date of this Report, Mr. Liu Chee Ming held 1,000,000 H Shares (long position) as beneficial owner, representing 0.01% and 0.03% of the Company's total issued shares and total issued H Shares respectively, and has informed the Company and the Hong Kong Stock Exchange in accordance with the related provisions of the SFO.
- On 30 March 2016, Mr. Hu Jingwu tendered his resignation to the Supervisory Committee from the office of the Supervisor due to age reason.

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

Name	Major Work Experience
Wang Kaiguo (王開國)	<p><b>Executive Directors (2)</b></p> <p>Born in 1958, a holder of a doctor's degree in economics, recognized as a senior economist, serves as the Chairman, an executive Director and the secretary of CPC party committee of the Company. Mr. Wang joined the Company in February 1995 as the deputy general manager and has been the Chairman since May 1998. Mr. Wang previously served in various positions in Research Institute of National State-owned Assets Administration Bureau (國家國有資產管理局研究所) from July 1990 to February 1995, including the deputy head of this institute. He was also the director of policy research office of policy and regulation department of the same bureau from March 1992 to February 1994. Mr. Wang was the deputy general manager of the Company from February 1995 to November 1997, secretary of CPC party group of the Company from November 1997 to December 1998 and general manager of the Company from November 1997 to May 2001. Mr. Wang has been secretary of CPC party committee of the Company since December 1998, a director of the Shanghai Stock Exchange since April 1999, vice president of Securities Association of China since July 2002, and the vice chairman of Shanghai Financial Association since May 2014. Mr. Wang has been the president of Private Equity Association of Shanghai since September 2015.</p>
Qu Qiuping (瞿秋平)	<p>Born in 1961, has a master's degree in economics and is a senior accountant. Mr. Qu has served as an executive Director, the general manager and the deputy secretary of CPC committee of the Company since 25 June 2014. He was the accountant, deputy section chief, Youth League secretary of Nanshi District Office of the People's Bank of China Shanghai (中國人民銀行上海市南市區辦事處) from September 1980 to December 1983; the deputy section chief and section chief of Nanshi District Office of the Industrial and Commercial Bank of China Shanghai (中國工商銀行上海市南市區辦事處) from January 1984 to September 1992; the vice president of Nanshi Sub-branch of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行南市支行) from September 1992 to November 1995; the deputy head of the accounting and cashier department of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行) from November 1995 to December 1996; the president and deputy secretary of CPC party committee of Shanghai Baoshan Sub-branch of the Industrial and Commercial Bank of China (中國工商銀行上海市寶山支行) from December 1996 to March 1999; the head of the accounting and clearing department of the Industrial and Commercial Bank of China Shanghai Branch from March 1999 to December 1999; the assistant to the president of the Industrial and Commercial Bank of China Shanghai Branch from December 1999 to June 2000; the vice president of the Industrial and Commercial Bank of China Shanghai Branch from June 2000 to February 2005 (he was a visiting scholar at University of Pennsylvania from September 2002 to September 2003); the vice president of the Industrial and Commercial Bank of China Jiangsu Branch (中國工商銀行江蘇省分行) from February 2005 to September 2008; the deputy secretary of CPC party committee and the vice chairman of the board of directors of Bank of Shanghai (上海銀行) from September 2008 to November 2008; the president, deputy secretary of CPC party committee and the vice chairman of the board of directors of Bank of Shanghai from November 2008 to December 2010; the head of the Work Coordination Department of the Dispatched Offices of the CSRC (中國證監會派出機構工作協調部) from December 2010 to August 2012; and the head of the Department of Supervision of Unlisted Public Companies of the CSRC (中國證監會非上市公眾公司監管部) from August 2012 to April 2014.</p>



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

Name	Major Work Experience
Yu Liping (余莉萍)	<p><b>Non-executive Directors (6)</b></p> <p>Born in 1962, a holder of an MBA degree, recognized as a senior accountant, has served as a non-executive Director of the Company since 8 June 2015 and as the vice president of Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司) since August 2010. Ms. Yu served in several positions in Shanghai Light Industry Bureau (上海輕工業局) and Shanghai Light Industry Company (Group) (上海輕工控股(集團)公司), including deputy chief of finance department, manager of finance department and vice chief accountant from August 1996 to April 2006. She was a member of CPC committee, vice president and chief financial officer of Shanghai Yimin Food Plant No.1 (Group) Co., Ltd. (上海益民食品一廠(集團)有限公司) from August 2006 to August 2008. Ms. Yu served as the chief financial officer of Shanghai Guangdian (Group) Co., Ltd. (上海廣電(集團)有限公司) from August 2008 to August 2010. Ms. Yu has been the chairman of the supervisory committee of the NGS Supermarket (Group) Co., Ltd. (農工商超市(集團)有限公司) since September 2013, and the legal representative of Shanghai Light Industry Company (Group) since March 2014. Ms. Yu has served as the chairman of supervisory committee of Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司) since September 2014. She has been the chairman of supervisory committee of Shanghai Yimin Food Group (上海益民食品集團) since March 2015.</p>
Chen Bin (陳斌)	<p>Born in 1981, a postgraduate, has served as a non-executive Director of the Company since 30 December 2014 and as the assistant to head of investment management department of Shanghai Tobacco Group Co., Ltd. (上海煙草集團有限責任公司) and the assistant to general manager of Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司) since April 2014. Mr. Chen served as the officer of investment management department of Shanghai Tobacco (Group) Company from July 2003 to January 2010, assistant to section chief and section chief of investment management department of Shanghai Tobacco (Group) Company (now renamed as Shanghai Tobacco Group Co, Ltd.) during January 2010 to April 2014. Mr. Chen has been a non-executive director of Orient Securities Company Limited (listed on the Shanghai Stock Exchange under the stock code of 600958) since October 2014.</p>

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

Name	Major Work Experience
Xu Chao (徐潮)	<p>Born in 1955, a holder of an MBA degree and a senior economist, has served as a non-executive Director of the Company since 16 May 2011 and as the deputy chief economist and head of investment department of Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) since December 2013. Mr. Xu successively served as deputy secretary of CPC party branch, secretary of CPC party branch and the deputy director of reform office of Shanghai Turbine Works (上海汽輪機廠) from 1986 to June 1994. He was the director of financial division, the head of financial department and the chief financial officer of Shanghai Turbine Co., Ltd. (上海汽輪機有限公司) from August 1996 to October 2004, and vice president of the same company from October 2004 to October 2006. Mr. Xu served in various positions in Shanghai Electric Capital Management Co., Ltd. (上海電氣資產管理有限公司) from October 2006 to December 2013, including chief financial officer from March 2007 to October 2011 and vice president from May 2008 to December 2013. He was head of financial budget department of Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) from October 2010 to October 2011. He was the chairman of supervisory committee of Shanghai Prime Machinery Co., Ltd. (上海集優機械股份有限公司) (listed on the Hong Kong Stock Exchange under the stock code of 02345) from May 2010 to December 2013 (vice chairman from December 2012 to December 2013), and chairman of supervisory committee of Shanghai Automation Instrumentation Co., Ltd. (上海自動化儀表股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600848) from June 2011 to the end of 2013. He has been the executive director, the legal representative and the general manager of Shanghai Electrical Industrial Company Limited (上海電氣實業有限公司) from May 2010 to March 2015, a non-executive director of Orient Securities Company Limited (東方證券股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600958) since March 2011 and the vice chairman of Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600619) since June 2011. Mr. Xu has served as director and general manager of Shanghai Electric Hong Kong Co., Ltd. (上海電氣香港有限公司) since March 2015.</p>
Wang Hongxiang (王鴻祥)	<p>Born in 1956, a holder of an MBA degree, recognized as a senior accountant, has served as a non-executive Director of the Company since 16 May 2011 and as the deputy chief accountant of Shenergy Group Company Limited (申能(集團)有限公司) since December 1998. Mr. Wang has over 20 years of working experience in accounting and finance since he graduated from university. Mr. Wang obtained a bachelor's degree in accounting from Xiamen University in July 1983 and an EMBA degree from Shanghai University of Finance and Economics in June 2006. Mr. Wang was an associate professor at Shanghai University of Finance and Economics for several years. Mr. Wang has served as the chairman of Shanghai Transceed Insurance Brokers Co., Ltd. (上海全順保險經紀有限公司) since 2008.</p>

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

Name	Major Work Experience
Shen Tiedong (沈鐵冬)	Born in 1969, a holder of doctor's degree in economics, has served as a non-executive Director of the Company since 8 June 2015. Mr. Shen was the chairman in the university department of the Youth League Liaoning Committee (共青團遼寧省委員會) from June 1992 to June 1993, deputy head of the trust department of Liaoning International Trust and Investment Company (遼寧省國際信託投資公司) from July 1993 to September 1999, head of the capital operation department of the Liaoning International Cooperation (Group) Co., Ltd. (遼寧省國際合作(集團)公司) from September 1999 to January 2002, and vice general manager of Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司) from February 2002 to December 2009. Mr. Shen served in various positions in the Panjin municipal government in Liaoning Province from December 2009 to December 2014, including vice mayor, member of the standing committee of CPC committee and secretary-general. Mr. Shen has been the vice chairman of the board of directors, vice secretary-general of the CPC committee and general manager of Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司) since December 2014.
Zhang Xinmei (張新玫)	Born in 1959, a holder of an MBA degree, recognized as a senior accountant, has served as a non-executive Director of the Company since 30 December 2014. Ms. Zhang has been the vice president of Shanghai Jiushi (Group) Co., Ltd (上海久事(集團)有限公司) since December 2014. Ms. Zhang served as officer, deputy section chief, section chief and deputy head of finance department of the Shanghai Bureau of Metallurgical Industry (上海冶金工業局) during March 1981 to October 1995; deputy head, head and deputy chief accountant of finance department of Shanghai Metallurgical Holding Group Corporation (上海冶金控股集團公司) during October 1995 to November 1998; manager of financial management headquarters and manager of capital management headquarters of Shanghai Jiushi Corporation (上海久事公司) (currently known as "Shanghai Jiushi (Group) Co., Ltd.") during November 1998 to November 2004; chief accountant of Shanghai Jiushi Corporation from November 2004 to December 2014. Ms. Zhang has been a director of Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司, now known as Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司)) (listed on the Shenzhen Stock Exchange under the stock code of 000166) since 2012.

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

Name	Major Work Experience
Liu Chee Ming (劉志敏)	<p><b>Independent Non-executive Directors (5)</b></p> <p>Born in 1951, a holder of bachelor's degree in business administration, has served as an independent non-executive Director of the Company since 16 September 2011 and the managing director of Platinum Holdings Limited (百德能控股有限公司) since 1996. Mr. Liu is also a member of the board of directors of Japfa Ltd. (a company listed on the Singapore Exchange under the stock code of UD2), Starhub Ltd. (星和有限公司) (a company listed on the Singapore Exchange under the stock code of CC3) and Kader Holdings Company Limited (開達集團有限公司) (a company listed on the Hong Kong Stock Exchange under the stock code of 00180). He is also an independent non-executive director of OUE Hospitality REIT Management Pte. Ltd. (華聯酒店房地產信託管理有限公司) and OUE Hospitality Trust Management Pte. Ltd. (華聯酒店信託管理有限公司) (which are the REIT Manager and Trustee-Manager, respectively, of OUE Hospitality Trust (a company listed on the Singapore Exchange under the stock code of SK7), Founder BEA Trust Co., Ltd. (方正東亞信託有限責任公司, overseen by China Banking Regulatory Commission and incorporated in Wuhan, China) and STT GDC Pte.Ltd. He is also the independent supervisor of the supervisory committee of Dalian Wanda Commercial Properties Co., Ltd. (大連萬達商業地產股份有限公司, a company listed on the Hong Kong Stock Exchange under the stock code of 03699). He has over 35 years of experience in the Asian financial service field. Mr. Liu's expertise in finance and strategy-making, as well as his working experience in large enterprises worldwide and his relationship with them are valuable assets of the Board of the Company. He is a member of the Takeovers Appeal Committee under the Securities and Futures Commission of Hong Kong (香港證券及期貨事務監察委員會的收購上訴委員會) and vice chairman of the Takeovers and Mergers Panel.</p>
Xiao Suining (肖遂寧)	<p>Born in 1948, has served as an independent non-executive Director of the Company since 27 May 2013. Mr. Xiao was the electrician and team leader at the third subsidiary of Yunnan Hydropower Construction Company (雲南水利發電建設公司) from July 1968 to September 1971; the chief of mechanical and electrical drainage, electrical technician and engineer at the Panshidong Industrial Zone at Hydropower Construction Company (水利發電建設公司噴水洞工區) from September 1971 to January 1975; the electrical designer, technician and engineer at Yunnan Electrical Power Design Institute (雲南電力設計院) from January 1975 to February 1984; the deputy director of the powerhouse of the power plant of Electric Power Design Institute (電力設計院) from February 1984 to August 1985; the general manager at Kunming Yinding Industrial Co., Ltd. (昆明銀鼎實業公司) from January 1985 to August 1987; the acting general economist and the acting general accountant at Yunnan Electrical Power Design Institute from August 1987 to September 1990; the director of personnel education division, the assistant to general manager and the general assistant at Bank of Communications Chongqing Branch, and the general manager, deputy general manager and member to the Party Committee of a real estate development company from September 1990 to November 1995; the president and the secretary to the Party Committee of Bank of Communications Zhuhai Branch from November 1995 to August 1999; the president and the secretary to the Party Committee of Bank of Communications Shenzhen Branch from August 1999 to February 2007; the president and the chairman of the headquarters of Shenzhen Development Bank from February 2007 to November 2012. Mr. Xiao has been an independent director of Beijing SPC Environment Protection Tech Co., Ltd. (listed on the Shenzhen Stock Exchange under the stock code of 002573) since July 2013 and an independent director of Zhongrun Resources Investment Incorporated Company (中潤資源投資股份有限公司) (listed on the Shenzhen Stock Exchange under the stock code of 000506) since August 2013.</p>

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

Name	Major Work Experience
Li Guangrong (李光榮)	Born in 1963, a holder of doctor's degree in economics, has served as an independent non-executive Director of the Company since 30 December 2014. Mr. Li served as the section chief of the Finance and Trade Office of the people's government of Hunan Province (湖南省人民政府財貿辦) from July 1987 to April 1993; manager of the securities department of Bank of China, Hunan Branch (中國銀行湖南省分行) from April 1993 to October 1995; general manager of business development department of China Everbright Bank Guangzhou Branch (光大銀行廣州分行) from October 1995 to December 1997. Mr. Li has been the chairman of Tehua Investment Holding Co., Ltd. (特華投資控股有限公司) since January 1998; chairman of Sinosafe General Insurance Co., Ltd. (華安財產保險股份有限公司) since December 2004; and executive director, chairman of the advisory committee to the board of directors of China Minsheng Investment Company Limited (中國民生投資股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600016) since June 2014.
Lyu Changjiang (呂長江)	Born in 1965, a doctor in quantitative economics, has served as an independent non-executive Director of the Company since 30 December 2014. Mr. Lyu served as deputy department head and department head of the accountancy department of the business school of Jilin University during June 1989 to May 2001, took Advanced Management Program of NYENRODE University in Netherlands from January 1999 to September 1999, and was a Fullbright senior research scholar in the University of California, United States, from September 2004 to September 2005. He served as associate dean, professor and doctoral tutor of the school of business of Jilin University during May 2001 to February 2006 and has been serving as the head, associate dean, professor and doctoral tutor of the department of accounting of the school of management of Fudan University since February 2006 till now. He is also a member of the Expert Group of China Accounting Standards Committee of the Ministry of Finance (財政部會計準則諮詢委員會專家組), and associate editor of "China Accounting Review". He enjoyed a special government allowance granted by the State Council, and was enlisted in Quality Talent Program for New Century (新世紀優秀人才培養計劃) organized by the Ministry of Education, and the Baogang outstanding teacher education award. Mr. Lyu served as an independent director of each of Changchun High & New Technology (長春高新), Eastmoney (東方財富) and China Commodity City (中國小商品城). He has been an independent director of Shanghai Jinfeng Investment Co., Ltd. (上海金豐投資股份有限公司), Nantong Jiangshan Agrochemical & Chemical Co. LTD. (南通江山農藥化工股份有限公司) and China Tianying Inc. (中國天楹股份有限公司) since August 2010.

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

Name	Major Work Experience
Feng Lun (馮倫)	<p>Born in 1959, a holder of doctor's degree in law and master's degree in public policy (MPP), has served as an independent non-executive Director of the Company since 30 December 2014. Mr. Feng has been a lecturer and researcher at the Party School of CPC, the Propaganda Department of the Central Committee of CPC and National Committee for Economic System Reform from September 1984 to December 1990. Mr. Feng founded Hainan Agricultural High Technology Investment and Development Corporation (海南農業高技術投資聯合開發總公司) from January 1991 to December 1991 and Hainan Vantone Enterprise (Group) Co., Ltd. (海南萬通企業(集團)有限公司) from January 1992 to December 1992, and served as the chairman. Mr. Feng has also served as the chairman of Vantone Holdings Co., Ltd. (萬通投資控股股份有限公司) since January 1993.</p>
Zhuang Guowei (莊國蔚)	<p><b>Resigned Directors (2)</b></p> <p>Born in 1954, holding a master's degree in economics and a master's degree in business administration, has served as a non-executive Director from 16 July 2007 to 8 June 2015. He was the vice president of Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司) from August 2006 to December 2014. Mr. Zhuang obtained a bachelor's degree in economics from the Correspondence College of Party School of the Central Committee of the CPC (中共中央黨校函授學院) in December 1994, a master's degree in economics from Shanghai Academy of Social Sciences in January 1996 and a master's degree in business administration from Arizona State University in May 2009. Mr. Zhuang is a registered manager (註冊經理) of Chinese Registered Career Manager (中國註冊職業經理人) recognized by China Enterprises Evaluation Association (中國企業評價協會) in 2005. Mr. Zhuang previously served in various positions in Shanghai Wusi Farm (上海市五四農場) and Shanghai NGS (Group) Wusi Co., Ltd. (上海農工商集團五四總公司) from July 1984 to August 1999, including general manager and deputy secretary of its CPC party committee. He was the manager of asset operation department of Shanghai NGS (Group) Co., Ltd. (上海市農工商(集團)總公司) from August 1999 to April 2001 and was the vice general manager of the same company from April 2001 to August 2006. He was deputy chairman of Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) from June 2001 to February 2003, chairman of Shanghai HaiBo Co., Ltd. (上海海博股份有限公司) ("Shanghai HaiBo") (listed on the Shanghai Stock Exchange under the stock code of 600708) from February 2004 to April 2009, a director of Shanghai HaiBo from April 2009 to April 2014 and chairman of NGS Real Estate (Group) Co., Ltd. (農工商房地產(集團)股份有限公司) from December 2011 to June 2013, chairman of supervisory committee of the NGS Real Estate (Group) Co., Ltd. since June 2013 to April 2015, and chairman of supervisory committee of Shanghai Tangjiu (Group) Co., Ltd. (上海市糖業煙酒(集團)有限公司) from May 2013 to April 2015. Mr. Zhuang was the chairman of Bright Dairy &amp; Food Co., Ltd. (光明乳業股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600597) from April 2010 to April 2015.</p>

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

Name	Major Work Experience
He Jianyong (何健勇)	<p>Born in 1962, has served as a non-executive Director of the Company from 16 September 2011 to 8 June 2015. Mr. He obtained a bachelor's degree in economics from Northeast Finance Institute in July 1986 and graduated from Liaoning University in December 1999 as a postgraduate (part-time) with a major in accounting. Mr. He previously served in various positions in Liaoning Energy Development Corporation (遼寧省能源開發公司) from August 1986 to December 1989, including the assistant accountant of the finance department and the deputy manager of the energy-efficient product distribution department. Mr. He worked with the Provincial "San Liao" Poverty Aid Taskforce at Kazuo County in Liaoning Province (遼寧省政府駐喀左縣"三遼"扶貧工作隊) from December 1989 to December 1990 and served as the section chief of the finance department of Liaoning Energy and Materials Company (遼寧能源物資公司) from December 1990 to July 1995. He was deputy manager of Liaoning Energy Efficiency and Thermal Electricity Group Company (遼寧節能熱電集團公司) from July 1997 to January 1999. He was deputy general manager and then executive deputy general manager of Liaoning Energy Corporation (遼寧能源總公司) from January 1999 to December 2003. Mr. He served in various positions in Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司) from December 2003 to September 2014, including general manager and vice chairman, the chairman and secretary of CPC party committee of this company.</p>
Shou Weiguang (壽偉光)	<p><b>Chairman of the Supervisory Committee</b></p> <p>Born in 1963, a holder of a doctor's degree in economics and a post-doctoral degree in applied economics (finance), recognized as a senior economist, has served as a Supervisor of the Company since 8 July 2015 and the chairman of the Supervisory Committee since 21 July 2015. Mr. Shou served at the office of the Ministry of Finance in Shanghai as clerk, deputy section chief of the business section, deputy section chief of industry section one, and deputy section chief and section chief of the foreign trading and finance section from July 1987 to October 1995, the section chief of the comprehensive planning division of the Shanghai Municipal Finance Bureau from October 1995 to December 1997, the deputy director of Branch No.6 of the Shanghai Municipal Finance Bureau from December 1997 to August 1999, the deputy head of human resources department of Shanghai International Trust &amp; Investment Co., Ltd. from August 1999 to May 2000, the member of CPC party committee and the director of the general office of CPC Party committee, head of cadres human resources department and the head of office for postdoctoral recruitment of Shanghai International Group Co., Ltd. from May 2000 to December 2002, the deputy general manager, and the member of CPC party committee of Shanghai International Group Co., Ltd. (concurrently the executive vice-president and the deputy head of office for postdoctoral recruitment of SIG Financial Development Research Institute Co., Ltd.) from December 2002 to September 2009, the secretary of CPC party committee and president of Shanghai State-owned Assets Operation Co., Ltd. from September 2009 to March 2013, the deputy mayor of the People's Government of Taiyuan City from March 2013 to June 2014, the municipal party committee member and deputy mayor of Taiyuan City from June 2014 to April 2015.</p>

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

Name	Major Work Experience
Yang Qingzhong (楊慶忠)	<p><b>Employee Representative Supervisors (5)</b></p> <p>Born in 1956, a senior political officer with a master's degree, has served as a Supervisor of the Company since 21 May 2004, the vice chairman of the Supervisory Committee since 16 May 2011, the secretary of the discipline inspection commission of the Company since October 2008 and the deputy secretary of CPC party committee of the Company since February 2014. Mr. Yang worked in the People's Liberation Army Navy (中國人民解放軍海軍) from December 1974 to August 1998. He served in various positions in the Company, including the deputy director of the CPC party committee office and a member of discipline inspection committee from August 1998 to November 2002, the deputy chief of organisation department of the CPC party committee from August 1998 to August 2003, the general manager of the training centre from May 2003 to April 2005, the director of the department of Party-civilian relationship from November 2002 to February 2013, the general manager of the human resources development department from August 2003 to April 2013, the head of the organization department of the CPC party committee from August 2003 to April 2013, and the chairman of the Company's labor union from July 2013 to December 2014.</p>
Qiu Xiaping (仇夏萍)	<p>Born in 1960, a holder of an MBA degree, recognized as a senior accountant, has served as a Supervisor of the Company since 16 July 2007 and as a general manager of planning and finance department of the Company since November 2014. Ms. Qiu worked at Yangpu branch of the Industrial and Commercial Bank of China from August 1980 to August 1992 and held position at the Pudong branch of the same bank from March 1993 to August 1993. She also worked at the Dongfang Road business department of Huaxia Securities Co., Ltd. from August 1993 to November 1994. Ms. Qiu has served different positions in the Company, including officer of the planning and finance department of the Company from November 1994 to August 1996, section chief of the finance and accounting department from August 1996 to April 1998, assistant to the general manager of the finance and accounting department from April 1998 to July 2000, deputy general manager of the finance and accounting department from July 2000 to March 2009, deputy general manager (in charge of operation) of the planning and finance department from March 2009 to December 2010, and deputy general manager (with benefits as a general manager) of the planning and finance department from December 2010 to November 2014. Ms. Qiu has been a director of Haitong Futures Co., Ltd. since October 2005, a director of Haitong Capital Investment Co., Ltd. since October 2008, a supervisor of Fullgoal Fund Management Co., Ltd. since October 2008 and a supervisor of Haitong Jihe Private Equity Investment Fund Management Company Limited since November 2010, and a supervisor of Haitong Creative Capital Fund Management Co., Ltd. (海通創意資本管理有限公司) since June 2012.</p>



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

Name	Major Work Experience
Wang Meijuan (王美娟)	<p>Born in 1964, holding a master's degree in economics, recognized as a senior accountant, has served as a Supervisor of the Company since 30 December 2014. Ms. Wang has been the general manager of the audit department of the Company since March 2011. Ms. Wang was a lecturer of the Management and Engineering Department of Shanghai Institute of Building Materials (上海建材學院管理工程系) from January 1988 to October 1994, and a senior manager of Da Hua Certified Public Accountants (大華會計師事務所) from May 1992 to May 2001. She served in various positions in the Company, including manager of audit department from May 2001 to August 2001, assistant to general manager of audit department from August 2001 to March 2002, deputy general manager of audit department from March 2002 to May 2006, deputy general manager of risk control headquarters (with benefits as a general manager) from May 2006 to September 2006, and chief auditor and deputy general manager of risk control headquarters (with benefits as a general manager) from September 2006 to March 2011. Ms. Wang has been chief supervisor of Haitong Futures Co., Ltd. (海通期貨有限公司) since July 2005, a director of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) since October 2008, a supervisor of Jilin Modern Agricultural and Emerging Markets Investment Fund Limited (吉林省現代農業和新興產業投資基金有限公司) since December 2010, a director of Xi'an Aerospace New Energy Industry Investment Fund Co., Ltd. (西安航天新能源產業基金投資有限公司) since January 2011, a supervisor of Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司) since April 2012, a director of Haitong International Securities Group Limited (海通國際證券集團有限公司) since September 2012, a supervisor of Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司) since January 2014, a supervisor of Haitong UniFortune International Leasing Co., Ltd. (海通恒運國際租賃有限公司) since January 2014, a supervisor of Shanghai UniCircle Investment &amp; Development Corporation (上海泛圓投資發展有限公司) since January 2014 and a supervisor of Haitong UniTrust Finance &amp; Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司) since July 2014.</p>

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

Name	Major Work Experience
Hu Hairong (胡海蓉)	Born in 1971, holding a bachelor's degree in law, recognized as an economist, has served as a Supervisor of the Company since 30 December 2014. She has been the director of the department of Party-civilian relationship and deputy general manager of the human resources department of the Company since March 2013. Ms. Hu worked in various departments of the Company, including the business department in Shanghai Baoshan District from July 1993 to June 1995, Shanghai business headquarters from June 1995 to May 1996, the office of general manager from May 1996 to March 1998, as deputy section chief of foreign affairs section of the office of general manager from March 1998 to March 2001, as deputy section chief and section chief of assignment section of the human resources development department from March 2001 to May 2005, assistant to general manager of the human resources development department from May 2005 to December 2010, and deputy general manager of the human resources development department from December 2010 to February 2013. Ms. Hu has been a director of Haitong Creative Capital Fund Management Co., Ltd. (海通創意資本管理有限公司) since June 2012 and the vice chairman of the trade union of the Company since December 2014.
Song Shihao (宋世浩)	Born in 1969, holds a master's degree in business administration, has served as a Supervisor of the Company since 8 July 2015. From January 2013 till now, Mr. Song has served as deputy general manager at the Compliance and Risk Control Headquarter of the Company (in charge of operations). Mr. Song served as a teacher at the Baotou Steel Company Fifth Middle School (包頭鋼鐵公司第五中學) from July 1992 to June 1996. He served at the Baotou Trust Investment Company (包頭信託投資公司) from June 1996 to March 2000, serving as the manager of the securities business department and manager of the trust business department. He worked at the Tianjin Business Department of the Company from March 2000 to March 2006, serving as an assistant to the general manager and deputy general manager. He served as the deputy general manager of the Lanzhou Business Headquarter of the Company from March 2006 to August 2009 (in charge of operations). He worked at the Gansu Branch of the Company from August 2009 to February 2012, serving as general manager. He worked at the Operating Centre of the Company from September 2011 to January 2013, serving as deputy general manager. Mr. Song has been a director of Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司) since April 2013.

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

Name	Major Work Experience
Li Lin (李林)	<p><b>Shareholder Representative Supervisors (7)</b></p> <p>Born in 1962, a holder of an MBA degree, has served as a Supervisor of the Company since 27 May 2013. He has been the chief financial officer of Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司) since April 2014. From July 1984 to December 1996, Mr. Li was the lecturer of the Accounting College of Shanghai University of Finance and Economics. He served as the deputy chief accountant of Shanghai Huahai Commercial (Group) Co., Ltd. from January 1997 to March 2001, the deputy financial controller of Shanghai NGS (Group) Corporation (上海農工商(集團)總公司) from April 2001 to June 2001, the director, the vice president and the chief financial officer of Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) from July 2001 to August 2007, and the director, the vice president and the chief financial officer of NGS Real Estate (Group) Co., Ltd. (農工商房地產(集團)股份有限公司) from September 2007 to July 2010. He served as the general manager of finance department in Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司) from August 2010 to April 2014. Mr. Li has been the chairman of Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司) since December 2014, a director of Sailing Capital Management Co., Ltd. (賽領資本管理有限公司) since October 2014 and a director of Sailing Capital International Fund (Shanghai) Co., Ltd. (賽領國際投資基金(上海)有限公司) since October 2014.</p>
Zheng Xiaoyun (鄭小雲)	<p>Born in 1962, is a senior accountant with a master's degree in accounting, has served as a Supervisor of the Company since 21 September 2015. She has been the chief financial officer of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600827) since June 2015 and the secretary to the board of directors of Shanghai Bailian Group Co., Ltd. since August 2015. Ms. Zheng held various positions at Shanghai Forever Co., Ltd. (上海永久股份有限公司) where she successively served as the accountant, the assistant to manager and the deputy manager of the finance department from September 1982 to July 1999. From July 1999 to March 2002, she served as the chief financial officer of Shanghai Advertising and Decorating Company (上海市廣告裝潢公司). She served as the deputy manager of the finance department of Shanghai Yibai (Group) Co., Ltd. (上海一百(集團)有限公司) from March 2002 to December 2002, served as the chief financial officer of Shanghai Quanfang Investment Management Co., Ltd. (上海全方投資管理有限公司) from December 2002 to October 2003, served as the chief financial officer of general operation department of Shanghai Bailian Group Co., Ltd. from October 2003 to July 2005 and served as the chief financial officer of Shanghai Bailian Investment Management Co., Ltd. (上海百聯投資管理有限公司) from July 2005 to August 2010. She served as the chief financial officer of Shanghai Bailian Group Assets Management Co., Ltd. (上海百聯集團資產經營管理有限公司) from August 2010 to July 2014, served as the chief financial officer of Bailian E-Commerce Co., Ltd. (百聯電子商務有限公司) from July 2014 to June 2015, and served as a director of Shanghai Baihong Trading Co., Ltd. (上海百紅商業貿易有限公司) and the chairman of Hualian Group Assets Custody Co., Ltd. (華聯集團資產託管有限公司) from March 2014 to July 2014.</p>

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

Name	Major Work Experience
Cheng Feng (程峰)	<p>Born in 1971, a holder of an MBA degree, has served as a Supervisor of the Company since 30 December 2014. He has been the member of CPC party committee and the deputy general manager of Shanghai United Media Group (上海報業集團) since October 2013. From July 1994 to March 1995, Mr. Chen worked in the student group in the School of Management of Shanghai Jiao Tong University; from March 1995 to May 1996, he worked in the Department of Foreign Economic of Shanghai Foreign Economic and Trade Commission (上海市對外經濟貿易委員會外經處); from May 1996 to February 2001, he worked in the Youth League of Shanghai Foreign Economic and Trade Commission holding such positions as the deputy secretary and the secretary; from February 2001 to June 2002, he served as vice president (on job training) of Shanghai Electrical Machinery Group Import &amp; Export Co., Ltd (上海機械進出口(集團)有限公司); from June 2002 to April 2005, he served as the deputy director and the director at the Office of Technology Import and Technological Development and Technology Trade Office of Shanghai Foreign Economic and Trade Commission (上海市對外經濟貿易委員會技術進口處和科技發展與技術貿易處); from April 2005 to October 2013, he served various positions in Shanghai International Group (上海國際集團), including as a director of the general office, head of the information centre, general manager of the administration headquarter (concurrently the chairman and general manager of Shanghai Guo Sheng Pawn Co., Ltd. (上海國盛典當有限公司)), the deputy secretary of CPC party committee, general manager, secretary of CPC party committee and chairman of Shanghai International Group Financial Services Co., Ltd. (上海國際集團金融服務有限公司), the secretary of CPC party committee and chairman of Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司). Mr. Cheng has been the chairman and general manager of Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司) since February 2014, the executive director of Shanghai Shendi Asset Management Co., Ltd. (上海申地資產管理有限公司) since April 2014, the director of Shanghai Xinhua Publishing Group Limited (上海新華發行集團有限公司) since May 2014, the director of Shanghai Xinhua Media Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600825) and Shanghai Dongfang Press Co., Ltd. (上海東方報業有限公司) since July 2014, the chairman of Shanghai Wenhui and Xinmin Industry Co., Ltd. (上海文匯新民實業有限公司), Shanghai Shenwen Industry Co., Ltd. (上海申聞實業有限公司) and Shanghai Shangbao Chuanyue Properties Development Co., Ltd. (上海上報傳悅置業發展有限公司) since August 2014, the director of Jiemian (Shanghai) Network Technology Co., Ltd. (界面(上海)網絡科技有限公司) since September 2014, the director of Shanghai Jovian Property (Group) Co., Ltd. (上海精文置業(集團)有限公司) since October 2014, chairman of Shanghai Culture Assets and Equity Exchange Co., Ltd. (上海文化產權交易所股份有限公司), chairman of Shanghai East Ticket Co., Ltd. (上海東方票務有限公司), chairman of Shanghai Real Power Capital Co., Ltd. (上海瑞力投資基金管理有限公司), an executive director of Shanghai HR Market News Co., Ltd. (上海人才市場報社有限公司) and an executive director of Shanghai Realty Times Co., Ltd. (上海房地產時報社有限公司) since February 2016.</p>

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

Name	Major Work Experience
Chen Huifeng (陳輝峰)	<p>Born in 1966, a holder of an MBA degree, a senior international business engineer, has served as a Supervisor of the Company since 30 December 2014. He has been the general manager of the investment &amp; development department of Shanghai East Best &amp; Lansheng International (Group) Co., Ltd. (上海東浩蘭生國際服務貿易(集團)有限公司) since December 2013. He was deputy general manager of the household product branch of Shanghai Light Industrial Products Imp. &amp; Exp. Co., Ltd. (上海市輕工業品進出口公司) from August 1989 to January 1996, general manager of the hardware branch of Shanghai Light Industry International (Group) Co., Ltd. (上海輕工國際(集團)有限公司) from January 1996 to January 2002, deputy general manager of Shanghai Light Industrial Products Imp. &amp; Exp. Co., Ltd. from January 2002 to March 2002, deputy general manager of Shanghai Light Industrial INT'L Development Corp., LTD (上海輕工國際發展有限公司) from March 2002 to December 2003, executive general manager and general manager of Shanghai Lansheng Corporation (上海蘭生股份有限公司) from December 2003 to December 2007, general manager of the operation department and the investment and management department of Shanghai Lansheng (Group) Co., Ltd. (上海蘭生(集團)有限公司) from December 2007 to December 2013, and a director of Shanghai CP Guojian Pharma Co., Ltd. (上海中信國健藥業股份有限公司) from May 2014 to January 2016. Mr. Chen has been a director of Shanghai Lansheng Corporation (listed on the Shanghai Stock Exchange under the stock code of 600826) since June 2012.</p>
Feng Huang (馮煌)	<p>Born in 1971, a holder of an MBA degree, an economist and an in-house legal counsel, has served as a Supervisor of the Company since 30 December 2014. Mr. Feng has been director and the president of SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司) ("SIIC Investment") since December 2012, and vice chairman since September 2014. Mr. Feng joined SIIC Investment in January 1999 and served in various positions, and has been the vice chairman and president since September 2014. He has been the chairman and the president of Shanghai SIIC Investment Management Consulting Co., Ltd. (上海上實投資管理諮詢有限公司) ("Shanghai SIIC") since December 2014, a director of Shanghai Lujiazui Finance &amp; Trade Zone United Development Co., Ltd. (上海陸家嘴金融貿易區聯合發展有限公司) since July 2004, and the chairman of SIIC Investment Co., Ltd. (上海實業投資有限公司) and South Pacific Hotel Hong Kong Co., Ltd. (南洋酒店(香港)有限公司) since April 2012. He has been the chairman of Shanghai SIIC Asset Operation Co. Ltd. (上海上實資產經營有限公司) since December 2014, the vice chairman of Shanghai Guojin Leasing Co., Ltd. (上海國金租賃有限公司) since January 2014, and a director of Shanghai SIIC Group Finance Co., Ltd. (上海上實集團財務有限公司) since May 2014. He has served as supervisor of Shanghai Pudong Science and Technology Investment Co., Ltd. (上海浦東科技投資有限公司) since January 2015, a director of Shanghai SIIC Financial Services Holding Limited (上海上實金融服務控股有限公司) since February 2015, a non-executive director of Shanghai International Shanghai Growth Investment Limited (listed on the Hong Kong Stock Exchange, stock code: 0770) since December 2015 and a director of Shanghai Shangtou Asset Operation Co., Ltd. (上海上投資產經營有限公司) since December 2015. Mr. Feng was a Director of the Company from 16 May 2011 to 30 December 2014.</p>

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

Name	Major Work Experience
Hu Jingwu (胡京武)	Born in 1955, holding a bachelor's degree in economics, has served as a Supervisor of the Company since 16 October 2013. He has been the general manager of China Shipowners Mutual Assurance Association since May 2013. Mr. Hu served in various positions in China Ocean Shipping (Group) Company from January 1982 to February 1997, including the deputy section chief and section chief of the insurance section under the commerce division, the deputy division chief and division chief of the commerce division under the transportation department, and the deputy general manager of the transportation department. Mr. Hu served as a director and the deputy general manager of China P & I Services (Hong Kong) Co., Ltd. from February 1997 to October 2000, and the executive deputy general manager of China Shipowners Mutual Assurance Association from October 2000 to May 2013.
Xu Qi (許奇)	Born in 1962, an accountant and a senior international finance manager with a master's degree, has served as a Supervisor of the Company since 16 July 2007. He has been the chief financial officer of Shanghai Oriental Pearl Media Co., Ltd.(上海東方明珠新媒體股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600637) since June 2015. Mr. Xu served in various positions in Shanghai Chlor-Alkali from April 1988 to June 2002, including the deputy manager of the asset operation department and the deputy manager of the asset finance department. He also served as the deputy manager of the asset finance department of Shanghai Tianyuan Group Co., Ltd. (上海天原集團有限公司) from March 1996 to April 1997. Mr. Xu was also the manager of the planning and finance department, the vice chief financial officer and chief financial officer of Shanghai Oriental Pearl (Group) Co., Ltd. (上海東方明珠(集團)股份有限公司) from July 2002 to March 2003 and from March 2003 to June 2015, respectively. Mr. Xu was a supervisor of Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司) from June 2009 to January 2015 and has been a supervisor of Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司) (listed on the Shenzhen Stock Exchange under the stock code of 000166) and Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司) since January 2015.
Dong Xiaochun (董小春)	<b>Resigned Supervisors (1)</b> Born in 1964, a holder of an MBA degree, recognized as a senior accountant, served as a Supervisor of the Company from 16 July 2007 to 9 July 2015. He is currently the chief financial officer of Bailian E-Commerce Co., Ltd. (百聯電子商務有限公司). Mr. Dong served as the chief financial officer and secretary to the board of directors of Hualian Supermarket Co., Ltd. (華聯超市股份有限公司) from October 1992 to August 2004, the chief financial officer of the department store division of Shanghai Bailian Group Co., Ltd. from August 2004 to April 2006 and a director of Shanghai Bailian Group Co., Ltd. from April 2010 to April 2011. Mr. Dong was the secretary to the board of directors and chief financial officer of Shanghai Bailian Group Co., Ltd. from April 2006 to September 2011. Mr. Dong has been the secretary to the board of directors and chief financial officer of Shanghai Friendship Group Incorporated Company (上海友誼集團股份有限公司) (changed its name to Shanghai Bailian Group Co., Ltd. on 5 August 2014, listed on the Shanghai Stock Exchange under the stock code of 600827) from September 2011 to June 2015.

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

Name	Major Work Experience
Ji Yuguang (吉宇光)	<p><b>Other Current Senior Management (12)</b></p> <p>Born in 1957, a master postgraduate and a senior economist, joined the Company in November 1995 and has been the Deputy General Manager since November 1997. He is mainly in charge of international business. Mr. Ji was an officer of Finance Department of Beijing Planning Commission (北京市計委財金處) from August 1983 to November 1988. Mr. Ji served in various positions in Bank of Communications (Beijing Branch) from November 1988 to November 1995, including deputy manager and manager of securities trading department of the same branch. He also served as head and general manager of Beijing Langjiayuan business department of Haitong Securities Company Limited from November 1995 to November 1997. Mr. Ji served as chairman of Jilin Modern Agricultural and Emerging Markets Investment Fund Limited from December 2010 to May 2011, and a director of China-Belgium Direct Equity Investment Fund from November 2004 to March 2011. Mr. Ji has been a non-executive director of Haitong International Securities Group Limited since January 2010 and chairman of board of directors of Haitong International Securities Group Limited since March 2011, a director of Haitong International Holdings Limited since August 2010, chairman of the board of directors of Haitong International Holdings Limited since March 2011 and a director of HFT Investment Management Co., Ltd. since April 2003.</p>
Ren Peng (任澎)	<p>Born in 1962, an economist with a master's degree in business and administration, joined the Company in March 1996 and has been the Deputy General Manager since November 1997. He is mainly in charge of investment banking business. Mr. Ren served in several managerial positions in the Xihu Office of the Industrial and Commercial Bank of China from June 1982 to February 1988 and served in various positions in Bank of Communications (Hangzhou Branch) from March 1988 to March 1996 including head of saving business and manager of securities department. In addition, Mr. Ren was manager of Hangzhou business department of Haitong Securities Company Limited from March 1996 to November 1997. Mr. Ren was a director of Haitong Capital Investment Co., Ltd. from October 2008 to August 2011. He has been a director of China-Belgium Direct Equity Investment Fund since March 2011. He has been chairman of the board of directors of Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司), Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司), Haitong UniFortune International Leasing Co., Ltd. (海通恒運國際租賃有限公司), and Haitong UniTrust Finance &amp; Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司) since July 2014, and a director of Shanghai UniCircle Investment &amp; Development Corporation (上海泛圓投資發展有限公司).</p>

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

Name	Major Work Experience
Li Xunlei (李迅雷)	Born in 1963, holding a master's degree in economics, joined the Company in October 2011 and has been the Deputy General Manager and Chief Economist since March 2012. He is mainly in charge of research and institutional business. Mr. Li engaged in translation and research in the library and Institute of Economics and Finance in Shanghai University of Finance and Economics from July 1985 to September 1996. Mr. Li was the deputy director of research institute of Junan Securities Co., Ltd. (君安證券有限責任公司) from September 1996 to August 1999. He was the deputy director, the director of the research institute and general manager of sales and trading headquarters, assistant to president, and general economist and chief economist in Guotai Junan Securities Co., Ltd. (國泰君安證券有限公司) from August 1999 to October 2011.
Hiroki Miyazato (宮里啟暉)	Born in 1965, holding a master's degree in biophysics and biochemistry, joined the Company in May 2009 and has been the Deputy General Manager since March 2012. He is mainly in charge of securities investment, trading, OTC business and serves as the general manager of Haitong Shanghai FTZ branch (海通上海自貿試驗區分公司). Mr. Miyazato was a manager in fixed income department of Credit Suisse First Boston (currently known as Credit Suisse Group AG) from April 1993 to March 1994. He was head of Asia department of Tokyo branch of Deutsche Genossenschaftsbank AG (currently known as Deutsche Zentral- Genossenschaftsbank AG) from April 1994 to March 1998. Mr. Miyazato was the global market investment manager of proprietary investment department of Tokyo branch of J.P. Morgan from April 1998 to September 1999. Mr. Miyazato was a fund manager of global strategic asset management, a senior fund manager of alternative investment, general manager of the China Investment Department and president of the Greater China area of Nikko (Citi) Asset Management Co., Ltd. from October 1999 to March 2009. He was also a director and the shareholder representative of Rongtong Fund Management Co., Ltd. (融通基金管理有限公司) from April 2007 to April 2009. He was a general manager of international business department, a commissioner of international business coordination committee and a commissioner of strategic development and IT management committee of the Company from May 2009 to March 2012. Mr. Miyazato has been the chairman of Haitong Bank since September 2015.



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

Name	Major Work Experience
Pei Changjiang (裴長江)	Born in 1965, holding a master's degree in political economics, joined the Company in August 2013. Since then, he has been serving as Deputy General Manager of the Company. From July 1993 to July 1996, Mr. Pei successively held various positions in Shanghai Wanguo Securities Co., Ltd., including research fellow of research department, and assistant to the general manager, general manager of Zhabei Business Department. From August 1996 to October 2002, he held the position of general manager of Zhabei Business Department, deputy general manager of Zhejiang Management Headquarters and deputy general manager of Brokerage Headquarters of Shenyin Wanguo Securities Co., Ltd. From October 2002 to August 2013, he successively served as an investment director of Fortune Trust & Investment Co., Ltd. and a director and general manager of Fortune SGAM Fund Management Co., Ltd. Mr. Pei has been a director of Fullgoal Fund Management Co., Ltd. since August 2014, chairman of Shanghai Haitong Securities Asset Management Company Ltd. since November 2014, and chairman of Haitong Futures Co., Ltd. since September 2015.
Wang Jianye (王建業)	Born in 1960, a master postgraduate and a senior economist, joined the Company in August 1994 and has been the General Compliance Officer since July 2010 and the Chief Risk Control Executive (enjoying the Company's deputy general manager level benefits) since May 2011. He is mainly in charge of compliance and risk management departments. Mr. Wang is also the deputy director of Compliance Committee of the Securities Association of China (中國證券業協會合規專業委員會). Mr. Wang was successively deputy director-level clerk (副主任科員), trainee deputy director and deputy director of education department of financial administration division of PBOC Inner Mongolia Branch from August 1984 to August 1990, deputy director of Financial Administration Division of PBOC Inner Mongolia Branch from August 1990 to May 1992, deputy general manager of the securities department of Inner Mongolia Securities Company (內蒙古自治區證券公司) from May 1992 to March 1993 and deputy general manager of the same company from March 1993 to July 1994. Mr. Wang previously served in various positions in the Company, including head of trading department from August 1994 to March 1996, deputy general manager of business management headquarters from March 1996 to September 1998, and general manager of integrated business management headquarters from September 1998 to August 2004. Mr. Wang was assistant to general manager of the Company from June 2001 to February 2011, general manager of brokerage business headquarters from March 2005 to June 2006 and general manager of risk control headquarters from October 2008 to March 2011, and was successively in charge of integrated business management headquarters, brokerage business headquarters, I.T. department, brokerage operations center, sales and transactions headquarters, customer asset management department and risk control department. Since June 2012, Mr. Wang has been the person-in-charge of compliance of Shanghai Haitong Securities Asset Management Company Ltd.

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

Name	Major Work Experience
Li Chuqian (李礎前)	Born in 1957, a master in economics and a senior economist, joined the Company in August 1994 and has been the chief financial officer of the Company (enjoying the Company's deputy general manager level benefits), mainly in charge of financial work since July 2007. Mr. Li is also a deputy director of the Financial Accounting and Risk Control Committee of the Securities Association of China (中國證券業協會財務會計與風險控制專業委員會) and a deputy director of the CFO Committee of the Listed Companies Association of Shanghai (上海上市公司協會財務總監委員會). Mr. Li was previously the deputy director clerk of Central Enterprise Department of Anhui Provincial Department of Finance (安徽省財政廳中企處) from July 1988 to August 1991 and section chief of Anhui Provincial State-owned Assets Supervision and Administration Bureau (安徽省國有資產管理局) from August 1991 to July 1994. Mr. Li served in various positions in the Company, including head of planning and finance department from August 1994 to March 1996, deputy general manager of finance and accounting department from March 1996 to April 1998, general manager of finance and accounting department from April 1998 to July 2001, and deputy chief financial officer and general manager of finance and accounting department from July 2001 to July 2007. He was a director of Shanghai Jielong Industry Group Corporation Limited (上海界龍實業集團股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600836) from May 2006 to May 2009. Mr. Li has been the chief supervisor of HFT Investment Management Co., Ltd. since April 2003, and a director of Haitong-Fortis Private Equity Fund Management Co., Ltd. since June 2010.
Huang Zhenghong (黃正紅)	Born in 1975, holding a master's degree in economics, joined the Company in July 2001 and has been the secretary to the Board since March 2015, the joint company secretary and the joint authorized representative of the Company since April 2015, and the general manager of the strategic development department of the Company since November 2012. Mr. Huang served in various positions in the Company, including an industry analyst in our research centre from July 2001 to December 2003, a vice section chief level secretary, section chief level secretary and assistant to director in the general manager's office of the Company from December 2003 to March 2011 successively, a deputy director of the strategic development & IT management committee and assistant to director of the general manager's office of the Company from March 2011 to November 2012. Mr. Huang has been a director of Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司), Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司), Haitong UniFortune International Leasing Co., Ltd. (海通恒運國際租賃有限公司) and Shanghai UniCircle Investment & Development Corporation (上海泛圓投資發展有限公司) since January 2014, a director of Haitong UniTrust Finance & Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司) since July 2014, and a director of Haitong Assets Management Co., Ltd (上海海通資源管理有限公司) since August 2013.

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

Name	Major Work Experience
Li Jianguo (李建國)	Born in 1963, holding a doctor's degree in economics, an assistant to the General Manger of the Company since 2008, joined the Company in 1998. Mr. Li served as a general manager of Henan Securities Co., Ltd. (河南省證券有限公司) from 1992 to 1998, a deputy general manager of Haitong Securities Co., Ltd. from 1998 to 1999, a vice chairman and general manger of Fullgoal Fund Management Co., Ltd. from May 1999 to August 2008. Mr. Li has served as the chairman of Haitong International Holdings Limited from October 2008 to August 2010. He has been the vice chairman of Haitong International Holdings Limited since August 2010, an executive director of Haitong International Securities Group Limited since January 2010 and vice chairman of the board of directors and member of strategic development committee of Haitong International Securities Group Limited since March 2010.
Chen Chunqian (陳春錢)	Born in 1963, holding a doctor's degree in economics, joined the Company in October 1997 and has been the assistant to General Manager since March 2012, responsible for the brokerage business of the Company. Mr. Chen is also the director of the brokerage committee, the deputy director of strategic development and IT management committee, and a member of international business coordination committee of the Company. He is also a deputy director of Financing Securities Business Committee under the Securities Association of China (中國證券業協會融資融券業務委員會). Mr. Chen also served in various positions in the Company, including the person-in-charge of the Shenzhen Branch of the Company from October 1997 to January 1998, the deputy general manager of international business division from January 1998 to March 2000, the deputy general manager of Shenzhen Branch from March 2000 to December 2000, the general manager of investment management department (Shenzhen) from December 2000 to May 2006, the general manager of sales and trading headquarters from May 2006 to February 2013 and the general manager of the business department during the period of November 2007 to March 2009. Mr. Chen has been a director of E-Capital Transfer Co., Ltd. (證通股份有限公司) since January 2015.

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

Name	Major Work Experience
Zhang Xiangyang (張向陽)	Born in 1965, a senior economist with a bachelor's degree in engineering joined the Company in May 1996 and has been the assistant to the General Manager since December 2014 and the director of the PE and industrial capital investment committee of the Company since March 2013, mainly responsible for the direct equity investments business. Mr. Zhang previously worked in Xinhua Bookstore in Taiyuan from December 1983 to April 1988, in Shanxi Radio & TV University (山西廣播電視大學) from April 1988 to December 1991, and in the Bank of Communications (Taiyuan Branch) (交通銀行太原分行) from December 1991 to May 1996. Mr. Zhang served in various positions in the Company, including deputy general manager (in charge of daily management) and general manager of Taiyuan business department from May 1996 to April 2002, deputy general manager and general manager of integrated business management headquarters from April 2002 to May 2006, general manager of risk control headquarters from May 2006 to October 2008, and a director, the general manager, and the director of the investment decision committee of Haitong Capital Investment Co., Ltd. from October 2008 to November 2012. Mr. Zhang was a director of Haitong Creative Capital Fund Management Co., Ltd. (海通創意資本管理有限公司) from June 2012 to August 2015, and chairman of Haitong Innovation Capital Management Co., Limited (海通創新資本管理有限公司) from January 2011 to August 2015. Mr. Zhang has been chairman of Haitong Creative Capital Fund Management Co., Ltd. since August 2015, chairman and the director of the investment decision committee of Haitong Capital Investment Co., Ltd. since December 2012, a director of Haitong New Energy Equity Investment Management Co., Ltd. (海通新能源股權投資管理有限公司) since July 2013 and chairman of Haitong New Energy Equity Investment Management Co., Ltd. since July 2015.
Lin Yong (林湧)	Born in 1969, holding a doctor's degree in economics, joined the Company in December 1996 and has been assistant to the General Manager since December 2014, and general manager of Haitong International Holdings Limited since July 2007. Mr. Lin served in various positions in the Company, including deputy general manager of investment banking department of the Company from December 1996 to July 2003, deputy general manager of the fixed income department of the Company from July 2003 to May 2004, and deputy general manager (in charge of daily management) and general manager of the investment bank department (Shanghai) of the Company from May 2004 to July 2007. Mr. Lin has been an executive director of Haitong International Securities Group Limited (海通國際證券集團股份有限公司) since December 2009, a member of both the executive committee and the strategic development committee of Haitong International Securities Group Limited since February 2010, one of the joint managing directors of Haitong International Securities Group Limited since March 2010, vice chairman of the board of directors, managing director and chief executive officer of Haitong International Securities Group Limited since April 2011, and chairman of the executive committee of Haitong International Securities Group Limited since June 2011.

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

Name	Major Work Experience
Jin Xiaobin (金曉斌)	<p><b>Other Resigned Senior Management (1)</b></p> <p>Born in 1954, joined the Company in 1998 and was the secretary to the Board from 2005 to 2015. Mr. Jin was also the joint company secretary (enjoying the Company's deputy general manager level benefits), the authorized representative of the Company from 2011 to 2015. From 2010 to 2015, Mr. Jin was the deputy director of our investment banking committee and was mainly in charge of the office of the Board and office of Supervisory Committee and mainly assisted in the management of investment banking business, including the management of equity financing department, debt financing department and M&amp;A financing department. He served as Chairman and Legal Representative of Haitong New Energy Equity Investment Fund Management Co., Ltd. He had 18 years of operating and management experience in securities industry. Mr. Jin served in various positions in the Company and subsidiaries including deputy general manager of research and development center from 1998 to 2000, head of research institute from 2000 to 2004, person-in-charge of electronic commerce department from 2001 to 2002, general manager of brokerage business headquarters from 2003 to 2005 and general manager of M&amp;A financing department from 2007 to 2008. Mr. Jin has been the assistant to the general manager of the Company since 2003 and chairman and legal representative of Haitong Jihe Private Equity Investment Fund Management Company Limited from 2010 to 2011. Mr. Jin obtained a bachelor's degree in political education from Shanghai Second Institute of Education (上海第二教育學院) in 1988, a master's degree in economics from Fudan University in 1993, a doctor's degree in economics from Fudan University in 1996 and a postdoctoral degree in finance from Shanghai University of Finance and Economics in 1998. Mr. Jin has been a deputy researcher (deputy professor level) recognized by Shanghai University of Finance and Economics since 1998 and has been an expert with special allowance from the State Council since 2002. Mr. Jin worked in the navy of the PRC from 1972 to 1998. He acted as the deputy director of the analysts committee under the Securities Association of China from 2000 to 2011. He has been a professional evaluation expert of securities companies in the Securities Association of China since 2011. He has served as a member of Advisory Committee of Information Disclosure of Companies Listed on Shanghai Stock Exchange since 2013 and a commissioner of Culture and Media Committee of China Association for Public Companies (中國上市公司協會文化傳媒委員會).</p>

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

### *Descriptions of other situations*

#### *1. Changes in Directors*

On 27 March 2015, the Proposal on Change of Directors was considered and approved at the second meeting of the sixth session of the Board. Mr. Zhuang Guowei resigned as the Director because he has reached the age of retirement. Mr. He Jianyong resigned as the Director due to change of job. Meanwhile, the recommendations of Ms. Yu Liping and Mr. Shen Tiedong as the candidates of Directors of the sixth session of the Board were approved. Such proposal was considered and approved at the 2014 annual general meeting held on 8 June 2015 and the qualifications of Ms. Yu Liping and Mr. Shen Tiedong serving as the Directors have been approved by relevant regulatory authorities.

On 11 December 2015, Mr. Lyu Changjiang tendered his resignation from the office of the independent non-executive Director, the chairman of the Audit Committee and the member of the Nomination, Remuneration and Assessment Committee due to personal reason (career development). The resignation of Mr. Lyu will take effect upon the appointment of a new independent non-executive Director being approved at the general meeting of the Company to fill the vacancy. The Board will complete the procedures for appointment of new independent non-executive Director as soon as practicable in accordance with relevant rules.

As at 31 December 2015, the sixth session of the Board was composed of 13 Directors, including two executive Directors, namely Mr. Wang Kaiguo and Mr. Qu Qiuping; six non-executive Directors, namely Ms. Yu Liping, Mr. Chen Bin, Mr. Xu Chao, Mr. Wang Hongxiang, Ms. Zhang Xinmei and Mr. Shen Tiedong; five independent non-executive Directors, namely Mr. Liu Cheeming, Mr. Xiao Suining, Mr. Li Guangrong, Mr. Lyu Changjiang and Mr. Feng Lun. The Directors were all elected by the shareholders at the general meeting of the Company for a term of three years, which may be subject to re-elections.

#### *2. Changes in Supervisors*

On 13 May 2015, the Proposal on Appointment of Supervisor was considered and approved at the fourth meeting (extraordinary meeting) of the sixth session of the Supervisory Committee and Mr. Shou Weiguang was recommended to be the candidate of Supervisor of the sixth session of the Supervisory Committee. Such proposal was considered and approved at the 2014 general meeting held on 8 June 2015. On 8 June 2015, the Company issued the Announcement on Appointment of Employee Representative Supervisor regarding the appointment of Mr. Song Shihao as employee representative Supervisor after consideration and approval by the fourth meeting of the third session of the employee representatives of the Company. On 14 July 2015, the Company issued the Announcement on Appointment of Supervisors, pursuant to which the qualifications of Mr. Shou Weiguang and Mr. Song Shihao as supervisors of securities company were approved by regulatory authorities and their appointment became effective from 8 July 2015. On 21 July 2015, the Proposal on the Election of Chairman of the Supervisory Committee was considered and approved by the fifth meeting (extraordinary meeting) of the sixth session of the Supervisory Committee and Mr. Shou Weiguang was elected as the chairman of the sixth session of the Supervisory Committee.

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

On 9 July 2015, the Company issued the Announcement on Resignation of Supervisor regarding the resignation of Mr. Dong Xiaochun as the Supervisor due to change at work.

On 21 July 2015, the Proposal on Change of Supervisor was considered and approved at the fifth meeting (extraordinary meeting) of the sixth session of the Supervisory Committee and Ms. Zheng Xiaoyun was recommended to be the candidate of Supervisor of the sixth session of the Supervisory Committee. Such proposal was considered and approved at the 2015 second extraordinary general meeting held on 21 September 2015 and the qualification of Ms. Zheng Xiaoyun as the supervisor of securities company was approved by regulatory authorities.

As at 31 December 2015, the Supervisory Committee was composed of 13 Supervisors, including eight non-employee representative Supervisors, namely, Mr. Shou Weiguang, Mr. Li Lin, Mr. Cheng Feng, Mr. Feng Huang, Mr. Xu Qi, Mr. Hu Jingwu, Mr. Chen Huifeng and Ms. Zheng Xiaoyun, and five employee representative Supervisors, namely, Mr. Yang Qingzhong, Ms. Qiu Xiaping, Ms. Wang Meijuan, Ms. Hu Hairong and Mr. Song Shihao. Except for the employee representative Supervisors elected by the employee representatives meeting, non-employee representative Supervisors were elected by shareholders at the general meeting of the Company for a term of three years, which may be subject to re-elections.

### 3. *Changes in senior management*

On 28 April 2015, the Resolution on Change of Joint Company Secretary and Joint Authorized Representative of the Company was considered and passed at the fourth meeting of the sixth session of the Board. Mr. Jin Xiaobin resigned as a joint company secretary and a joint authorized representative and the secretary to the Board due to personal career development. The Board agreed to appoint Mr. Huang Zhenghong, the secretary to the Board, as a joint company secretary and a joint authorized representative of the Company, as well as the authorized person who receives the password of the e-Submission system of the Hong Kong Stock Exchange and for subsequent registration matters.

### (II) **Equity incentives awarded to Directors, Supervisors, senior management during the Reporting Period**

During the Reporting Period, no equity incentives were granted to the Directors, Supervisors or senior management.

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

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

#### (I) Positions in shareholder entities

Name	Name of shareholder entities	Positions taken in the shareholder entities	Commencement date	Termination date
<b>Positions of current Directors:</b>				
Yu Liping	Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司)	Vice President	2015	to date
Chen Bin	Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司)	Assistant to General Manager	2014	to date
Xu Chao	Shanghai Electric (Group) Corporation (上海電氣(集團)總公司)	Deputy Chief Economist and Head of Investment Department	2013	to date
Wang Hongxiang	Shenergy Group Company Limited (申能(集團)有限公司)	Deputy Chief Accountant	1998	to date
Zhang Xinmei	Shanghai Jiushi (Group) Co., Ltd. (上海久事(集團)有限公司)	Deputy General Manager	2014	to date
Shen Tiedong	Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司)	Vice Chairman, Vice Secretary of CPC Party Committee and General Manager	2014	to date
<b>Positions of resigned Directors:</b>				
Zhuang Guowei	Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司)	Vice President	2006	2015
He Jianyong	Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司)	Chairman and Secretary of CPC Party Committee	2011	2014
<b>Positions of current Supervisors:</b>				
Li Lin	Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司)	Chief Financial Officer	2014	to date
Zheng Xiaoyun	Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司)	Chief Financial Officer and Secretary to the Board	2015	to date
Chen Huifeng	Shanghai Lansheng Corporation (上海蘭生股份有限公司)	Director	2012	to date
Xu Qi	Shanghai Oriental Pearl (Group) Co., Ltd. (上海東方明珠(集團)股份有限公司 (currently renamed as "Shanghai Oriental Pearl Media Co., Ltd. (上海東方明珠新媒體股份有限公司)"))	Chief Accountant	2015	to date
Hu Jingwu	China Shipowners Mutual Assurance Association (中國船東互保協會)	General Manager	2013	to date



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

### (II) Positions in other entities

Name	Name of entities	Positions taken in other entities	Commencement date	Termination date
<b>Positions of current Directors:</b>				
Yu Liping	NGS Supermarket (Group) Co., Ltd. (農工商超市(集團)有限公司)	Chairman of the supervisory committee	2013	to date
	Shanghai Light Industry Company (Group) (上海輕工控股(集團)公司)	Legal Representative	2014	to date
	Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司)	Chairman of the supervisory committee	2014	to date
	Shanghai Yimin Food Group (上海益民食品集團)	Chairman of the supervisory committee	2015	to date
Chen Bin	Shanghai Tobacco Group Co., Ltd. (上海煙草集團有限責任公司)	Assistant to Head of Investment Management Department	2014	to date
	Orient Securities Company Limited (東方證券股份有限公司)	Non-executive director	2014	to date
Xu Chao	Orient Securities Company Limited (東方證券股份有限公司)	Non-executive director	2011	to date
	Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司)	Vice Chairman	2011	to date
	Shanghai Electrical Industrial Company Limited (上海電氣實業有限公司)	Executive director, Legal Representative, General Manager	2010	2015
	Shanghai Electric Hong Kong Co., Ltd. (上海電氣香港有限公司)	Chairman and General Manager	2015	to date
Wang Hongxiang	Shanghai Transceed Insurance Brokers Co., Ltd. (上海全順保險經紀有限公司)	Chairman	2008	to date
Zhang Xinmei	Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司, now known as Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司))	Director	2012	to date

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

Name	Name of entities	Positions taken in other entities	Commencement date	Termination date
<b>Positions of current independent non-executive Directors:</b>				
Liu Cheeming	Platinum Holdings Limited (百德能控股有限公司)	Managing director	1996	to date
	Kader Holdings Company Limited (開達集團有限公司)	Non-executive director	2013	to date
	Starhub Ltd. (星和有限公司)	Independent non-executive director	2004	to date
	OUE Hospitality Trust Management Pte. Ltd	Independent non-executive director	2013	to date
	OUE Hospitality REIT Management Pte. Ltd	Independent non-executive director	2013	to date
	Founder BEA Trust Co., Ltd. (方正東亞信託有限責任公司)	Independent non-executive director	2013	to date
	Jafa Ltd.	Independent non-executive director	2014	to date
	Dalian Wanda Commercial Properties Co., Ltd.	Independent supervisor of the board of supervisors	2015	to date
	STT GDC Pte.Ltd.	Independent non-executive director	2015	to date
Xiao Suining	PA Glorious Opportunity VIII Limited	Director of PRC district	2013	to date
	Beijing SPC Environment Protection Tech Co., Ltd. (北京國電清新環保技術股份有限公司)	Independent director	2013	to date
	Zhongrun Resources Investment Incorporated Company (中潤資源投資股份有限公司)	Independent director	2013	to date
Li Guangrong	Tehua Investment Holding Co., Ltd. (特華投資控股有限公司)	Chairman	1998	to date
	Sinosafe General Insurance Co., Ltd. (華安財產保險股份有限公司)	Chairman	2004	to date
	Sinosafe General Insurance Asset Management Company Limited (華安財保資產管理有限責任公司)	Chairman	2014	to date
	Bohai International Trust Co., Ltd. (渤海國際信託有限公司)	Chairman	2014	to date
	China Minsheng Investment Company Limited (中國民生投資股份有限公司)	Executive director, Chairman of the advisory committee to the board	2014	to date

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

Name	Name of entities	Positions taken in other entities	Commencement date	Termination date
Lyu Changjiang	School of Management of Fudan University (復旦大學管理學院)	Head of the Department of Accounting, Professor, Doctoral Tutor	2006	to date
	Shanghai Jinfeng Investment Co., Ltd. (上海金豐投資股份有限公司)	Independent director	2010	to date
	Nantong Jiangshan Agrochemical & Chemical Co. LTD. (南通江山農藥化工股份有限公司)	Independent director	2010	to date
	China Tianying Inc. (中國天楹股份有限公司)	Independent director	2010	to date
Feng Lun	Vantone Holdings Co., Ltd. (萬通投資控股股份有限公司)	Chairman	1993	to date
	Beijing Vantone Greatcity Investments Limited (北京萬通立體之城投資有限公司)	Chairman	2011	to date
<b>Positions of current Supervisors:</b>				
Li Lin	Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司)	Chairman	2014	to date
	Sailing Capital Management Co., Ltd. (賽領資本管理有限公司) and Sailing Capital International Fund (Shanghai) Co., Ltd. (賽領國際投資基金(上海)有限公司)	Director	2014	to date
	Shanghai East Best International (Group) Co., Ltd. (上海東浩蘭生國際服務貿易(集團)有限公司)	General Manager of Investment and Development Department	2013	to date
Chen Huifeng	Shanghai United Media Group (上海報業集團)	Member of the CPC Party Committee, Deputy General Manger	2013	to date
Cheng Feng	Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司)	Chairman, General Manager	2014	to date
	Shanghai Shendi Asset Management Co., Ltd. (上海申地資產管理有限公司)	Executive director	2014	to date
	Shanghai Xinhua Publishing Group Limited (上海新華發行集團有限公司)	Director	2014	to date
	Shanghai Xinhua Media Co., Ltd. (上海新華傳媒股份有限公司) and Shanghai Dongfang Press Co., Ltd. (上海東方報業有限公司)	Director	2014	to date

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

Name	Name of entities	Positions taken in other entities	Commencement date	Termination date
	Shanghai Wenhui and Xinmin Industry Co., Ltd. (上海文匯新民實業有限公司), Shanghai Shenwen Industry Co., Ltd. (上海申聞實業有限公司) and Shanghai Shangbao Chuanyue Properties Development Co., Ltd. (上海上報傳悅置業發展有限公司)	Chairman	2014	to date
	Jiemian (Shanghai) Network Technology Co., Ltd. (界面(上海)網絡科技有限公司)	Director	2014	to date
	Shanghai Jovian Property (Group) Co., Ltd (上海精文置業(集團)有限公司)	Director	2014	to date
	Shanghai Culture Assets and Equity Exchange Co., Ltd.(上海文化產權交易所股份有限公司), Shanghai East Ticket Co., Ltd. (上海東方票務有限公司) and Shanghai Real Power Capital Co., Ltd. (上海瑞力投資基金管理有限公司)	Chairman	2016	to date
	Shanghai Human Resource Market Press Co., Ltd. (上海人才市場報社有限公司) and Shanghai Real Estate Times Press Co., Ltd. (上海房地產時報社有限公司)	Executive director	2016	to date
Xu Qi	Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司)	Supervisor	2015	to date
	Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司)	Supervisor	2015	to date
Feng Huang	SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司)	President and director	2012	to date
	Shanghai SIIC Investment Management Consulting Co., Ltd. (上海上實投資管理諮詢有限公司)	Chairman and President	2014	to date
	Shanghai Lujiazui Finance & Trade Zone United Development Co., Ltd. (上海陸家嘴金融貿易區聯合發展有限公司)	Director	2004	to date
	SIIC Investment Co., Ltd. (上海實業投資有限公司)	Chairman	2012	to date
	South Pacific Hotel Hong Kong Co., Ltd. (南洋酒店(香港)有限公司)	Chairman	2012	to date
	Shanghai SIIC Asset Operation Co., Ltd. (上海上實資產經營有限公司)	Chairman	2014	to date

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

Name	Name of entities	Positions taken in other entities	Commencement date	Termination date
	Shanghai Guojing Leasing Co., Ltd. (上海國金租賃有限公司)	Vice Chairman	2014	to date
	Shanghai SIIC Group Finance Co., Ltd. (上海上實集團財務有限公司)	Director	2014	to date
	Shanghai Pudong Technology Investment Co., Ltd. (上海浦東科技投資有限公司)	Supervisor	2015	to date
	Shanghai SIIC Financial Services Holdings Ltd. (上海上實金融服務控股有限公司)	Director	2015	to date
	Shanghai International Shanghai Growth Investment Limited (listed on the Hong Kong Stock Exchange, stock code: 0770)	Non-executive director	2015	to date
	Shanghai Asset Operation Co., Ltd. (上海上投資產經營有限公司)	Director	2015	to date
<b>Positions of resigned Supervisors:</b>				
Dong Xiaochun	Bailian E-Commerce Co., Ltd. (百聯電子商務有限公司)	Chief Financial Officer	2015	to date

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

### III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

Basis of determining the remuneration of Directors, Supervisors and senior management

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

Remuneration paid to Directors, Supervisors and senior management

For details, please refer to "Changes in shareholding and remuneration of current and resigned Directors, Supervisors and senior management during the Reporting Period" in this section.

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

The actual remuneration received in aggregate by all Directors, Supervisors and senior management from the Company at the end of the Reporting Period is RMB24.3277 million. (The total remuneration mentioned above does not include the remuneration of Li Jianguo and Lin Yong, both assistant to General Manager of the Company, received from Haitong International Holdings and Haitong International Securities, nor the remuneration of Zhang Xiangyang, assistant to General Manager of the Company, received from Haitong Capital.)

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

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

Name	Position	Status	Reasons of Change
Mr. Zhuang Guowei	Director	Resigned	Retirement
Mr. He Jianyong	Director	Resigned	Work reallocation
Ms. Yu Liping	Director	Appointed	
Mr. Shen Tiedong	Director	Appointed	
Mr. Dong Xiaochun	Supervisor	Resigned	Work reallocation
Ms. Zheng Xiaoyun	Supervisor	Appointed	
Mr. Jin Xiaobin	Senior management	Resigned	Retirement

### V. PARTICULARS ABOUT PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES DURING RECENT THREE YEARS

✓ N/A

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

#### (I) Particulars about Staff

Number of existing employees of the Company	5,235
Number of existing employees of major subsidiaries	3,789
Total number of existing employees	9,024
Total number of retired workers the Company and its major subsidiaries should bear costs for	22

Type of Specialization	Composition of Specialization	
	Number of Person	
Research		332
Investment Banking		720
Brokerage Business		4,374
Transaction Settlement Specialist		130
Asset Management		216
Securities Investment/Direct Investment		369
Information Technology		582
Finance and Planning		578
Risk-management Compliance/Auditing		318
Administrative		744
Finance Lease		661
<b>Total</b>		<b>9,024</b>

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

<b>Education</b>	
<b>Highest Level of Education Attained</b>	<b>Number of Persons</b>
Doctor's degree	134
Master's degree	2,284
Bachelor's degree	5,319
Junior college graduated and below	1,287
<hr/>	
Total	9,024

### (II) Remuneration Policy

As at the end of the Reporting Period, the Group had 9,024 employees, of whom 5,235 were from the Company, and 3,789 were from subsidiaries.

The Company emphasizes talent attraction, motivation, training and use, and focuses on the external competitiveness of its remuneration level and the internal fairness of its remuneration system. We implement a remuneration system under which remunerations are determined based on the market levels and the individual performance appraisal results. The remuneration package generally comprises basic salary, allowance, performance bonus, and staff benefits. Under the applicable laws and regulations of the PRC, the Company enters into a labor contract and establishes employment relationship with each of its employees. A labor contract contains the provisions relating to contract term, working hours, rest and vacation, labor remuneration and insurance benefits, labor protection and conditions, as well as modification and termination of the contract. Under the applicable laws and regulations of the PRC, the Company purchased various social insurance policies (pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and established housing funds for its employees, and made social insurance and housing fund contributions in full in accordance with applicable regulations. Meanwhile, the Company also established a corporate annuity system which provides supplemental pension protection for employees in accordance with applicable regulations.

### (III) Training Plans

In 2015, the Company strengthened the establishment of training, curriculum and trainers system; optimized the implementation process of training projects; improved the organization and implementation, the integration of resources and the overall management; and enhanced the pertinence and effectiveness of training. The Company established a team of 81 internal trainers and designed 55 internal courses. The Company held 125 on-site trainings with 6,566 participants and 48,832 employees attended training on the on-line platform.



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

In 2016, the first step of the Company's establishment of a comprehensive training system will be completed. The Company will focus on Haitong Wealth Management Academy (海通财富管理學院) and training projects and continue to promote the establishment of curriculum and trainers team. The functional sectors of the Company form the main part of its training while the level one sector in the headquarters, branches and subsidiaries serve as the carriers of the training, each performing its own functions and responsibilities and orderly promoting training. The main responsibility of the functional sectors of the Company is to promote the development of curriculum and the establishment of trainers team.

### (IV) Particulars about Labor Outsourcing

Total labor hours involved in labor outsourcing	982,000 hours
Total compensation paid for labor outsourcing	RMB18,903,500

## VII. OTHER PARTICULARS

### Conditions of Commissioning Brokers Engaging in Soliciting Customers and Servicing Customers

The year of 2015 is the seventh year since the Company has acquired the securities brokerage qualification. In accordance with inspection opinions and internal systems regulated in the Interim Provisions on the Administration of Securities Brokers ([2009] No. 2) and On-site Inspection Opinion on Securities Broker System (Hu Zheng Jian Ji Gou Zi [2009] No.302), the Company strictly and intensively manage securities brokers. Through the improvement of rules and regulations, internal control mechanisms, supporting system and internal training, the occupational practice of securities brokers is further regulated and customers' legal rights and interests are safeguarded. According to "Canceling the requirement in filing of the launching of the securities broker system by the securities business departments", the item 8 of the Notice [2015] No. 8 issued by CSRC, the securities business departments are no longer required to file with local regulatory authorities while launching the securities broker system. As at the end of the Reporting Period, the Company has already had 269 securities business departments with 6,749 securities brokers, among which, 6,512 securities brokers have completed registration in Securities Association of China.

Securities brokers engaging in soliciting customers and servicing customers authorized by the Company are affiliated with the securities business department directly and have to comply with the brokers' codes of conduct as well as the Company's regulations and systems. Customers can go through and check brokers' occupational registration information through ways such as visiting the Company's website, checking on-site information disclosed by the business department and calling 95553, the unified customer service hotline. The Company has established risk monitoring platform to monitor, give early warning and track the transaction of broker's customers so as to effectively control brokerage risks. As the chief management officer, the director of the business department is comprehensively and specifically in charge of the management of its own department's brokers and is subject to the management, coordination, supervision and inspection under the corporate headquarter. Securities business department will pay a return visit to customers that the securities brokers have solicited and served on a regular basis to understand the particulars of broker's practice through personal interviews, phone calls, letters or other ways. In 2015, the Company continued to strengthen the compliance training of broker's practice and standardize their occupational management and no customer complaints or disputes related to brokers had appeared.

# Section IX CORPORATE GOVERNANCE

## I. DESCRIPTION OF CORPORATE GOVERNANCE

### (I) Overview of Corporate Governance

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

During the Reporting Period, according to relevant provisions of the latest Guidelines for the Articles of Association of Listed Companies (CSRC Announcement [2014] No. 19) released by CSRC and the actual conditions of the Company, the Company has amended the Articles of Association and Rules of Procedure for Shareholders' General Meeting. The contents of the amendments include the Company's business scope, the provision of guarantee for subsidiary, the increase of Supervisory Committee members, etc., and corporate governance structure is further optimized and perfected.

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

During the Reporting Period, the Company convened 36 meetings in total, including three general meetings, 13 meetings of the Board, six meetings of the Supervisory Committee, two annual report work meetings of independent non-executive Directors, five meetings of the Audit Committee, four meetings of the Nomination, Remuneration and Assessment Committee, one meeting of the Development Strategy and Investment Management Committee and two meetings of the Compliance and Risk Control Committee.

## Section IX CORPORATE GOVERNANCE

### (II) Formulation and Implementation of Insider Management System

During the Reporting Period, in the processes of material matters including the preparation of periodic reports, the formulation of share repurchase plan and the participation of the Company's Directors, Supervisors, senior management and employees in the collective investment scheme, the Company, as required by the Insider Registration System, performed well in inside information management and insider registration, and truly and completely recorded the list of all insiders involved in the reporting, delivery, preparation, auditing and disclosure before publication of the inside information as well as relevant files concerning the contents and timing of the inside information known by the insider to facilitate enquiry made by the Company and relevant regulatory institutions. During the Reporting Period, no violation of the Insider Registration System by the Company has occurred and the said system was well implemented.

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

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

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

## Section IX CORPORATE GOVERNANCE

### II. BRIEFING OF THE GENERAL MEETING

<b>Session of the meeting</b>	<b>Date of the meeting</b>	<b>Query index of the designated website of resolution disclosure</b>	<b>Disclosure date of resolution</b>
Annual general meeting of 2014	8 June 2015	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	8 June 2015 9 June 2015
The first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015	9 February 2015	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	10 February 2015
The second extraordinary general meeting of 2015, the second A shareholders' class meeting of 2015 and the second H shareholders' class meeting of 2015	21 September 2015	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	21 September 2015 22 September 2015

#### **Briefing of the general meeting:**

During the Reporting Period, on 8 June 2015, the Company held 2014 annual general meeting of shareholders in Shanghai Mingde Grand Hotel and eight ordinary resolutions were considered and passed, including: Company's 2014 Annual Work Report of the Board, 2014 Annual Work Report of the Supervisory Committee, 2014 Annual Report, 2014 Annual Financial Report, 2014 Annual Plan of Profit Distribution, Resolution on Reappointment of Certified Public Accountants, Resolution on the Change of Directors, Resolution on the New Supervisors; three special resolutions were considered and passed, including: Resolution on the Share Option Scheme of Haitong International Securities Group Limited, Resolution on the General Mandate to the Board in Approving, Allocating or Issuing A Shares and/or H Shares, and Resolution on the Amendments to the Articles of Association and Rules of Procedure for Shareholders' General Meeting. Relevant resolutions were published on the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) on the day of the relevant meeting and published on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>), the Company's own website (<http://www.htsec.com>), China Securities Journal, Shanghai Securities News and Securities Times on 9 June 2015.

On 9 February 2015, the Company held its first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015 in Shanghai Mingde Grand Hotel. On the first extraordinary general meeting of 2015, three special resolutions were considered and passed, including: Resolution on Issue of New H Shares by the Company, Resolution on Amendments to Articles of Association, and Resolution on General Mandate to Issue Other Onshore Debt Financing Instruments; three ordinary resolutions were considered and passed, including: Resolution on Report on Use of Proceeds from Previous Fund Raising Activity of the Company, Resolution on Increase in Quota of External Guarantee, and Resolution on Investment Asset Allocation of Equity, Fixed Income Securities and Derivative Products for the Year 2015. On the first A shareholders' class meeting of 2015, Resolution on Issue of New H Shares by the Company was considered and passed. On the first H shareholders' class meeting of 2015, Resolution on Issue of New H Shares by the Company was considered and passed. Relevant resolutions were published on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>), Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company's own website (<http://www.htsec.com>) and published on China Securities Journal, Shanghai Securities News and Securities Times on 10 February 2015.

## Section IX CORPORATE GOVERNANCE

On 21 September 2015, the Company held its second extraordinary general meeting of 2015, the second A shareholders' class meeting of 2015 and the second H shareholders' class meeting of 2015 in Pine City Hotel in Shanghai. On the second extraordinary general meeting of 2015, three special resolutions were considered and passed, including: Resolution on the General Authorisation to the Board to Repurchase Part of A Shares or H Shares of the Company, Resolution on the Share Option Scheme (Draft) of Haitong Securities Co., Ltd., and Resolution on Employee Stock Ownership Plan (Draft) of Haitong Securities Co., Ltd.; two ordinary resolutions were considered and passed: Resolution on the Adjustment of Proprietary Investment Size of the Company, and Resolution on the Change of Supervisors. The second A shareholders' class meeting of 2015 considered and passed the Resolution on the General Authorisation to the Board to Repurchase Part of A Shares or H Shares of the Company, Resolution on the Share Option Scheme (Draft) of Haitong Securities Co., Ltd., and Resolution on Employee Stock Ownership Plan (Draft) of Haitong Securities Co., Ltd. The second H shareholders' class meeting of 2015 considered and passed the Resolution on the General Authorisation to the Board to Repurchase Part of A Shares or H Shares of the Company, but the Resolution on the Share Option Scheme (Draft) of Haitong Securities Co., Ltd. and Resolution on Employee Stock Ownership Plan (Draft) of Haitong Securities Co., Ltd. were not approved and passed. Relevant resolutions were published on the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company's own website (<http://www.htsec.com>) on the day of the relevant meeting and published on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>), China Securities Journal, Shanghai Securities News and Securities Times on 22 September 2015.

### III. PERFORMANCE OF DUTIES OF DIRECTORS

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

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

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

## Section IX CORPORATE GOVERNANCE

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

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

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

Name of Director	Independent non-executive Director	Number of meetings this year	Attendance at the Board meetings					Absence from two consecutive meetings	Attendance at the general meetings
			Attendance in person	Attendance by communication equipment			Absence		
				Attendance by proxy	Absence	Absence			
Wang Kaiguo	No	13	5	8	0	0	No	3	
Qu Qiuping	No	13	5	8	0	0	No	3	
Xu Chao	No	13	5	8	0	0	No	3	
Wang Hongxiang	No	13	5	8	0	0	No	3	
Liu Cheeming	Yes	13	4	8	1	0	No	2	
Xiao Suining	Yes	13	5	8	0	0	No	2	
Yu Liping	No	8	3	5	0	0	No	0	
Chen Bin	No	13	4	8	1	0	No	3	
Shen Tiedong	No	8	3	5	0	0	No	1	
Zhang Xinmei	No	13	5	8	0	0	No	0	
Li Guangrong	Yes	13	5	8	0	0	No	1	
Lyu Changjiang	Yes	13	4	8	1	0	No	1	
Feng Lun	Yes	13	3	8	2	0	No	0	
He Jianyong (resigned)	No	5	0	3	2	0	No	0	
Zhuang Guowei (resigned)	No	5	2	3	0	0	No	1	

## Section IX CORPORATE GOVERNANCE

Description of absence from two consecutive Board meetings

Not applicable

Number of Board meetings convened during the year	13
Including: Number of meetings held onsite	1
Number of meetings held by communication equipment	8
Number of meetings held onsite and by means of communication equipment simultaneously	4

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

During the Reporting Period, the Board convened 13 meetings in total, details of which are as follows:

1. On 27 March 2015, the second meeting of the sixth session of the Board was held onsite, in which the Company's 2014 Annual Report, 2014 Annual Financial Report, 2014 Annual Plan of Profit Distribution, 2014 Annual Internal Control Evaluation Report, 2014 Annual Compliance Report, Proposal on Reappointment of Certified Public Accountants, Report on Performance of Duties of the Audit Committee in 2014, 2014 Annual Work Report of the Board, 2014 Annual Work Report of the Independent Directors, 2014 Annual Report on Corporate Social Responsibility, Resolution on the Company's Share Contribution in China Securities Credit Investment Co., Ltd., Resolution on Business Performance Evaluation and Appraisal and Incentives for Senior Management of the Company in 2014, Resolution on General Mandate to the Board in Approving, Allocating or Issuing A Shares and/or H Shares, Resolution on Engagement of Overseas Financing in Free Trade Zone by the Company, Resolution on the Change of Directors, and Resolution on Convening 2014 Annual General Meeting were considered and passed.
2. On 13 April 2015, the third meeting of the sixth session of the Board was held through voting by correspondence, in which Resolution on the Share Option Scheme of Haitong International Securities Group Limited, Resolution on Provision of Joint and Several Guarantee for Issuance of U.S. Dollar Bonds by Wholly-owned Offshore Subsidiary and Resolution on the Expansion of the Total Financing Business Scale of the Company were considered and passed.
3. On 28 April 2015, the fourth meeting of the sixth session of the Board was held by a combination of onsite meeting and communication equipment, in which the First Quarterly Report of 2015, Resolution on Adjustment of Organisational Structure of the Company, Resolution on the General Mandate of Capital Contributions to Subsidiaries and Establishment of Subsidiaries of the Company, Resolution on the General Mandate of Establishment of Subsidiaries with Special Purposes of the Company, Resolution on Change of Joint Company Secretary and Joint Authorized Representative of the Company and Resolution on the Amendments to the Articles of Association were considered and passed.

## Section IX CORPORATE GOVERNANCE

4. On 13 May 2015, the fifth meeting of the sixth session of the Board was held through voting by correspondence, in which Resolution on the Amendments to the Articles of Association and Resolution on Capital Contributions to Haitong Capital Investment Co., Ltd. were considered and passed.
5. On 5 June 2015, the sixth meeting of the sixth session of the Board was held through voting by correspondence, in which the Resolution on Provision of Joint and Several Guarantee for Issuance of Euro Bonds by Wholly-owned Offshore Subsidiary and the Resolution on the Establishment of Haitong Securities Wealth Management Co., Ltd. (in preparation) were considered and passed.
6. On 30 June 2015, the seventh meeting of the sixth session of the Board was held through voting by correspondence, in which Resolution on Change of Joint Company Secretary and Resolution on the New Members of Special Committee of Board were considered and passed.
7. On 6 July 2015, the eighth meeting of the sixth session of the Board was held through voting by correspondence, in which the Resolution on the Adjustment of Proprietary Equity Securities Investment Size of the Company in 2015 and Resolution on Capital Contributions to Haitong Futures Co., Ltd. were considered and passed.
8. On 8 July 2015, the ninth meeting of the sixth session of the Board was held through voting by correspondence, in which the Resolution on General Mandate to the Board to Repurchase Part of A Shares or H Shares of the Company, Resolution on the Adjustment of Proprietary Equity Securities Investment Size of the Company, Resolution on the Establishment of Share Acquisition Plan of Haitong Securities Co., Ltd., Resolution on the Authorization of the Management of the Company to Establish Long-term Incentive Schemes Including Employee Stock Ownership Plan, Share Option Scheme and Share Acquisition Plan, and Resolution on Convening the Second Extraordinary General Meeting of 2015, the Second A Shareholders' Class Meeting of 2015 and the Second H Shareholders' Class Meeting of 2015 were considered and passed.
9. On 21 July 2015, the tenth meeting of the sixth session of the Board was held by a combination of onsite meeting and communication equipment, in which Resolution on Employee Stock Ownership Plan (Draft) of Haitong Securities Co., Ltd. and Resolution on the Share Option Scheme (Draft) of Haitong Securities Co., Ltd. were considered and passed.
10. On 27 August 2015, the eleventh meeting of the sixth session of the Board was held by a combination of onsite meeting and communication equipment, in which the Company's 2015 Interim Report, 2015 Interim Compliance Report, Resolution on the Establishment of Haitong Zhongchuang Financial Services Co., Ltd. (in preparation), Resolution on Relevant Authorization of the Company's Entry into of ISDA Agreement with Overseas Institutions, and Resolution on Reappointment of Related Party as the Insurance Intermediary Institution for Liabilities Insurance on the Directors, Supervisors and Senior Management of the Company were considered and passed.



## Section IX CORPORATE GOVERNANCE

11. On 1 September 2015, the twelfth meeting of the sixth session of the Board was held through voting by correspondence, in which Resolution on Capital Contribution for Returns Swap Trading with China Securities Finance Corporation Limited was considered and passed.
12. On 28 October 2015, the thirteenth meeting of the sixth session of the Board was held by a combination of onsite meeting and communication equipment, in which the Third Quarterly Report of 2015, Resolution on the Promotion and Management of Yueke Haitong Technology Entrepreneurship Investment Mother Fund of Guangdong Province (limited partnership), Resolution on Formulation of Administrative Measures on Remuneration of Senior Management of Haitong Securities Co., Ltd., Resolution on Formulation of Administrative Measures on Performance Appraisal for Senior Management of Haitong Securities Co., Ltd., and Resolution on the Adjustment of Organisational Structure of the Company were considered and passed.
13. On 11 December 2015, the fourteenth meeting of the sixth session of the Board was held through voting by correspondence, in which Resolution on General Mandate of the Establishment of Free Trade Zone Separate Accounting Unit System of the Company, and Resolution on Change of the Joint Company Secretary were considered and passed.

### **(II) Independent Non-executive Directors' Objections to Relevant Matters of the Company**

During the Reporting Period, independent non-executive Directors of the Company had no objections to proposals of the Board and other proposals. Please refer to "Attendances of Directors at Board Meetings and General Meetings" of this Section for attendances of independent non-executive Directors at general meetings, Board meetings and meetings of special committees. 2015 Annual Work Report of Independent Directors of Haitong Securities Co., Ltd. to be disclosed by the Company on the website of the Shanghai Stock Exchange on 31 March 2016 sets out the details of the performance of duties of independent non-executive Directors.

### **(III) Powers and Duties of the Board and the Management**

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

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

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

## Section IX CORPORATE GOVERNANCE

### 1. *Chairman and General Manager*

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

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

### 2. *Directors' Appointment and Re-election*

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

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

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

### 4. *Directors' Remunerations*

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

## Section IX CORPORATE GOVERNANCE

### 5. Directors' Training

The Company highly emphasizes the continuous training for Directors to ensure that Directors have adequate knowledge of the Company's operations and businesses and their duties imposed by CSRC, the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Articles of Association and other relevant laws and regulations. During the Reporting Period, Directors participated in the regular trainings organized by local regulatory authorities to complete continued trainings as required. The office of the Board of the Company also regularly compiles and delivers Newsletter of Directors and Supervisors and Regulations of Securities Market and Case Analysis to keep Directors timely informed of the latest policies, regulations and classic cases, builds multi-level information communication mechanisms and sets up an information exchange platform to strengthen information sharing and exchange among Directors, Supervisors and the management and improve Directors' duty performance capability. Apart from that, trainings for Directors are specified as follows:

Name of Director	Date	Duration	Organizer	Contents	Place
Wang Hongxiang	10-11 September 2015	2 days	The Listed Companies Association of Shanghai	Trainings for Directors and Supervisors of Listed Companies	Shanghai
Chen Bin	10-11 September 2015	2 days	The Listed Companies Association of Shanghai	Trainings for Directors and Supervisors of Listed Companies	Shanghai
Shen Tiedong	10-11 September 2015	2 days	The Listed Companies Association of Shanghai	Trainings for Directors and Supervisors of Listed Companies	Shanghai
Zhang Xinmei	23-24 April 2015	2 days	The Listed Companies Association of Shanghai	Trainings for Directors and Supervisors of Listed Companies	Shanghai
	16-18 June 2015	3 days	Shanghai Municipal Finance Bureau	Senior Accountant Training	Shanghai
Yu Liping	26-27 November 2015	2 days	The Listed Companies Association of Shanghai	Trainings for Directors and Supervisors of Listed Companies	Shanghai
Xu Chao	10-11 September 2015	2 days	The Listed Companies Association of Shanghai	Trainings for Directors and Supervisors of Listed Companies	Shanghai
Liu Cheeming	29 January 2015	2 hours	Financial Times Live	Global Investment Expert Forum Asia 2015	Singapore

## Section IX CORPORATE GOVERNANCE

Name of Director	Date	Duration	Organizer	Contents	Place
	18 June 2015	1 hour	HKSI	HKSI Institute Roundtable Luncheon Series- Adjusting to the New Normal	Hong Kong
	11-13 August 2015	17.67 hours	Guandian	Boao Real Estate Forum 2015	Sanya
	1 October 2015	3 hours	BEA	Recent Economy of China	Taiwan
	12 October 2015	3.5 hours	China Chamber of Tourism	Global Tourism Economy Forum-Macau 2015	Macau
	2 November 2015	2.67 hours	SCMP	China Conference	Hong Kong
	1 December 2015	0.83 hours	Platinum	Foreign Exchange Rate Database	Hong Kong
	16 December 2015	2 hours	HKSI	MPF Series-Sales Compliance and Recent Development	Hong Kong

### IV. PERFORMANCE OF THE SPECIAL COMMITTEES UNDER THE BOARD DURING THE REPORTING PERIOD

#### (I) Special Committees of the Board and their Members

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

1. Development Strategy and Investment Management Committee: Wang Kaiguo (chairman), Liu Cheeming, Xiao Suining, Li Guangrong, (Zhuang Guowei) Yu Liping, Chen Bin and Xu Chao
2. Compliance and Risk Control Committee: Xiao Suining (chairman), Liu Cheeming, Feng Lun, Qu Qiuping, Chen Bin and Zhang Xinmei
3. Nomination, Remuneration and Assessment Committee: Li Guangrong (chairman), Liu Cheeming, Xiao Suining, Lyu Changjiang, (Zhuang Guowei) Yu Liping, Wang Hongxiang and (He Jianyong) Shen Tiedong
4. Audit Committee: Lyu Changjiang (chairman), Liu Cheeming, Li Guangrong, Feng Lun, Zhang Xinmei, Xu Chao and Wang Hongxiang

## Section IX CORPORATE GOVERNANCE

Note: On 13 March 2015, the second meeting of the sixth session of the Board was held, in which Resolution on Change of Directors was considered and passed, Mr. Zhuang Guowei resigned as a member of the sixth session of the Board, a member of the Development Strategy and Investment Management Committee and a member of the Nomination, Remuneration and Assessment Committee, and Ms. Yu Liping was recommended as the director candidate of the sixth session of the Board, whose appointment would take effect after the approval of her qualification by regulatory authorities; Mr. He Jianyong resigned as a member of the sixth session of the Board and a member of the Nomination, Remuneration and Assessment Committee, and Mr. Shen Tiedong was recommended as the director candidate of the sixth session of the Board, whose appointment would take effect after the approval of his qualification by regulatory authorities. On 8 June 2015, the 2014 annual general meeting of the Company was held, in which Resolution on Change of Directors was considered and passed, and appointment of Ms. Yu Liping and Mr. Shen Tiedong as members of the sixth session of the Board became effective. On 30 June 2015, the seventh meeting (extraordinary meeting) of the sixth session of the Board was held, in which Resolution on the New Members of Special Committee of Board was considered and passed, in which Mr. Shen Tiedong and Ms. Yu Liping were elected as new members of Nomination, Remuneration and Assessment Committee and Ms. Yu Liping was elected as a new member of Development Strategy and Investment Management Committee.

### (II) Duties of Various Special Committees and their Meetings

#### 1. Compliance and Risk Control Committee

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

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

- The first meeting of the Compliance and Risk Control Committee of the sixth session of the Board in 2015 was convened on 26 March 2015, in which 2014 Annual Internal Control Evaluation Report, 2014 Annual Compliance Report, 2014 Comprehensive Risk Management System Establishment and Management Report and 2014 Annual Risk Assessment Report of the Company were considered and passed.
- The second meeting of the Compliance and Risk Control Committee of the sixth session of the Board in 2015 was convened on 26 August 2015, in which 2015 Interim Compliance Report and 2015 Interim Risk Assessment Report of the Company were considered and passed.

## Section IX CORPORATE GOVERNANCE

During the Reporting Period, meeting attendance of members of Compliance and Risk Control Committee is as follows:

<u>Name</u>	<u>Number of actual attendances/number of scheduled attendances</u>
Xiao Suining	2/2
Liu Cheeming	2/2
Feng Lun	2/2
Qu Qiuping	2/2
Chen Bin	2/2
Zhang Xinmei	2/2

### 2. **Audit Committee**

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

The Audit Committee convened meetings to audit relevant matters according to relevant provisions of Terms of Reference of the Audit Committee and improved working efficiency and scientific decision-making. The Audit Committee carefully performed its duties by actively participating in the preparation, audit and disclosure of the annual financial reports according to Work Procedures for Annual Reports of the Audit Committee under the Board. The Audit Committee fully communicated with certified public accountants to jointly formulate audit project plans in 2015 for the Company. The audit work in 2015 of the Company was arranged under the guidance of the Audit Committee, which ensured the independence of audit and improvement of audit quality to safeguard the overall interest of the Company and its shareholders. The Audit Committee and its members, abiding by relevant laws and regulations, gave full play to the audit and supervision role by conducting work diligently, and served as an important role in improving the corporate governance structure and audit quality. During the Reporting Period, the Audit Committee held five meetings in total, as specified below:

## Section IX CORPORATE GOVERNANCE

- The first meeting of the Audit Committee of the sixth session of the Board in 2015 was convened on 22 January 2015, and the main contents of the meeting were: listening to the Chief Financial Officer's brief financial report of 2014 of the Company, discussing with two certified public accountants to formulate the annual audit work plans, and reviewing the financial statement of 2014 (of the parent company and unaudited) prepared by the finance department of the Company and provided written opinions.
- The second meeting of the Audit Committee of the sixth session of the Board in 2015 was convened on 26 March 2015, in which Financial Report and Special Report of 2014 of the Company (Audited or Reviewed Draft), Opinions of the Audit Committee under the Board on the Certified Public Accountants' Engagement in Audit Work for the Year, Proposal on Reappointment of the Certified Public Accountants, Self-evaluation Report on Internal Control of the Company in 2014, and the Report on Performance of Duties of Audit Committee under the Board in 2014. In this meeting, the committee also listened to the Company's Report on Annual Financial Accounts in 2014 and Report on Preliminary Results of Annual Audit of Certified Public Accountants in 2014, and the list of related persons was also confirmed.
- The third meeting of the Audit Committee of the sixth session of the Board in 2015 convened on 28 April 2015 (by means of telecommunications) considered and approved the First Quarterly Report of 2015 of the Company.
- The fourth meeting of the Audit Committee of the sixth session of the Board in 2015 was convened on 26 August 2015 (by means of telecommunications), in which Financial Report for the First Half of 2015 of the Company (A Shares + H Shares), Proposal on Appointment of Related Party as the Insurance Intermediary Institution for Liabilities Insurance on the Directors, Supervisors and Senior Management of the Company were considered and passed, and Statement on Financial Position for the First Half of 2015 of the Company was reviewed.
- The fifth meeting of the Audit Committee of the sixth session of the Board in 2015 convened on 27 October 2015 (by means of telecommunications) considered and approved the Third Quarterly Report of 2015 of the Company.

## Section IX CORPORATE GOVERNANCE

During the Reporting Period, meeting attendance of members of Audit Committee is as follows:

<u>Name</u>	<u>Number of actual attendances/number of scheduled attendances</u>
Lyu Changjiang	5/5
Liu Cheeming	5/5
Li Guangrong	5/5
Feng Lun	4/5
Zhang Xinmei	5/5
Xu Chao	5/5
Wang Hongxiang	5/5

### **3. *Development Strategy and Investment Management Committee***

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

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

- The first meeting of Development Strategy and Investment Management Committee of the sixth session of the Board in 2015 was convened on 5 June 2015 (by means of telecommunications), in which the Proposal on the Establishment of Haitong Securities Wealth Management Co., Ltd. (in preparation) was considered and passed.



## Section IX CORPORATE GOVERNANCE

During the Reporting Period, meeting attendance of members of Development Strategy and Investment Management Committee is as follows:

<u>Name</u>	<u>Number of actual attendances/number of scheduled attendances</u>
Wang Kaiguo	1/1
Liu Cheeming	1/1
Xiao Suining	1/1
Li Guangrong	1/1
Chen Bin	1/1
Xu Chao	1/1
Zhuang Guowei (resigned)	1/1

#### **4. Nomination, Remuneration and Assessment Committee**

The primary duties of Nomination, Remuneration and Assessment Committee are: to study and make suggestions on criteria and procedure for selecting Directors and managers; to extensively identify qualified candidates for Directors and managers; to examine the qualifications of the candidates for Directors and managers and make related suggestions; to review the structure, size and composition (including the skills, knowledge and experience) of the Board, and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to assess the independence of the independent non-executive Directors and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and the general manager; to work out remuneration policies that include but not limited to performance evaluation standard and procedure, major evaluation system, principal award and punishment scheme and system; to examine how the Directors and managers of the Company fulfill their duties, evaluate their annual performance and make suggestions according to the annual audit result of the Audit Committee; to appraise the remuneration reform plan of the Company and approve the service terms of the executive Directors and supervise the implementation of the Company's remuneration system. For the specific duties of the Nomination, Remuneration and Assessment Committee, nomination of Directors and managers and the performance appraisals and remuneration review procedure for Directors and senior management, please refer to the "Terms of Reference of the Nomination, Remuneration and Assessment Committee under the Board" which was published on the websites of the Company and the Hong Kong Stock Exchange.

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

## Section IX CORPORATE GOVERNANCE

During the Reporting Period, the Nomination, Remuneration and Assessment Committee convened four meetings in total, as specified below:

- On 26 March 2015, the first meeting of the Nomination, Remuneration and Assessment Committee of the sixth session of the Board in 2015 was convened. The committee listened to the 2014 Report on Business Operation of the Company, considered and passed the Resolution on 2014 Annual Business Performance Assessment and Appraisal and Incentive for the Management of the Company and Resolution on the Change of Directors.
- On 9 April 2015, the second meeting of the Nomination, Remuneration and Assessment Committee of the sixth session of the Board in 2015 was convened (by means of telecommunications), in which the Resolution on the Adoption of Share Option Scheme of Haitong International Securities Group Limited was considered and passed.
- On 21 July 2015, the third meeting of the Nomination, Remuneration and Assessment Committee of the sixth session of the Board in 2015 was convened, in which Resolution on Employee Stock Ownership Plan of Haitong Securities Co., Ltd. and Resolution on the Share Option Scheme of Haitong Securities Co., Ltd. were considered and passed.
- On 27 October 2015, the fourth meeting of the Nomination, Remuneration and Assessment Committee of the sixth session of the Board in 2015 was convened, in which the Resolution on Formulation of Administrative Measures on Remuneration of Senior Management of Haitong Securities Co., Ltd. and the Resolution on Formulation of Administrative Measures on Performance Appraisal for Senior Management of Haitong Securities Co., Ltd. were considered and passed.

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

<b>Name</b>	<b>Number of actual attendances/number of scheduled attendances</b>
Li Guangrong	3/4
Liu Cheeming	4/4
Xiao Suining	4/4
Lyu Changjiang	3/4
Yu Liping	2/2
Wang Hongxiang	4/4
Shen Tiedong	2/2
Zhuang Guowei (resigned)	1/2
He Jianyong (resigned)	1/2

## Section IX CORPORATE GOVERNANCE

### V. EXPLANATION ON DISCOVERY OF COMPANY'S RISKS BY THE SUPERVISORY COMMITTEE

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

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

Name of Supervisors	Number of meetings of Supervisory Committee this year	Attendance by			Absence	
		Attendance in person	communication equipment	Attendance by proxy	Absence	from two consecutive meetings
Shou Weiguang	3	3	0	0	0	No
Yang Qingzhong	6	5	1	0	0	No
Qiu Xiaping	6	5	1	0	0	No
Wang Meijuan	6	5	1	0	0	No
Hu Hairong	6	5	1	0	0	No
Song Shihao	3	3	0	0	0	No
Li Lin	6	4	1	1	0	No
Cheng Feng	6	3	1	2	0	No
Feng Huang	6	4	1	1	0	No
Hu Jingwu	6	5	1	0	0	No
Xu Qi	6	5	1	0	0	No
Chen Huifeng	6	4	1	1	0	No
Zheng Xiaoyun	1	1	0	0	0	No
Dong Xiaochun (resigned)	3	2	1	0	0	No

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

#### (II) Meetings of the Supervisory Committee

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

- On 27 March 2015, the second meeting of the sixth session of the Supervisory Committee was convened on site, in which 2014 Annual Report of the Company, 2014 Annual Internal Control Evaluation Report of the Company, 2014 Annual Compliance Report of the Company, and 2014 Annual Work Report of the Supervisory Committee of the Company were considered and passed.
- On 28 April 2015, the third meeting of the sixth session of the Supervisory Committee was convened on site, in which the First Quarterly Report for the Year 2015 of the Company was considered and passed.

## Section IX CORPORATE GOVERNANCE

3. On 13 May 2015, the fourth meeting of the sixth session of the Supervisory Committee was convened by correspondence, in which Resolution on Appointment of New Supervisors was considered and passed.
4. On 21 July 2015, the fifth meeting of the sixth session of the Supervisory Committee was convened on site, in which Resolution on Election of Chairman of the Supervisory Committee and Resolution on Change of Supervisors were considered and passed.
5. On 27 August 2015, the sixth meeting of the sixth session of the Supervisory Committee was convened on site, in which the 2015 Interim Report of the Company and 2015 Interim Compliance Report of the Company were considered and passed.
6. On 28 October 2015, the seventh meeting of the sixth session of the Supervisory Committee was convened on site, in which the Third Quarterly Report for the Year 2015 of the Company was considered and passed.

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

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

#### **1. Business Independence**

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

#### **2. Staff Independence**

The Company has an established human resource department, with independent and complete labor, personnel and salary administration system. The Company appointed Directors, Supervisors and senior managements through statutory procedures. None of our senior management holds any position other than positions of director or supervisor at any shareholder or any of its associates or subsidiaries, nor do they hold any position in any enterprises that have the

## Section IX CORPORATE GOVERNANCE

same or similar business with that of the Company. There is no occasion where the Company's shareholders act beyond their authority as delegated by the general meeting and the Board to appoint Directors, Supervisors or senior management of the Company. Appointment of Directors, Supervisors, and senior management strictly complies with the PRC Company Law, the PRC Securities Law and the Articles of Association, and is conducted in lawful procedures. The Company has established complete labor employment, personnel administration, payroll management and social security system, and all employees have signed labor contracts with the Company. The Company has the independent right to sign labor contract without interference of any shareholders.

### 3. Assets Independence

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

### 4. Organizational Independence

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

### 5. Financial Independence

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

### ***The Company's corresponding solutions, progress and follow-up plans for intra-industry competition***

The Company has no intra-industry competition resulting from shareholding system transformation, industrial characteristics, national policy, acquisition or merger, etc.

## Section IX CORPORATE GOVERNANCE

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

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

### VIII. WHETHER OR NOT TO DISCLOSE SELF EVALUATION REPORT OF INTERNAL CONTROL

The Company’s internal control audit institution, BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership), issued a standard unqualified audit report on internal control of the Company.

For details of the audit report on internal control of the Company, please see the 2015 Annual Audit Report on Internal Control of Haitong Securities Co., Ltd. disclosed by the Company on the website of the Shanghai Stock Exchange.

The Company had no material defects in terms of internal control during the Reporting Period.

### IX. DESCRIPTION OF AUDIT REPORT OF INTERNAL CONTROL

For details of the audit report on internal control of the Company, please see the 2015 Annual Audit Report on Internal Control of Haitong Securities Co., Ltd. disclosed by the Company on the website of the Shanghai Stock Exchange.

### X. ESTABLISHMENT AND EXECUTION OF INTERNAL CONTROL SYSTEM

#### (I) Statement of the Board

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

## Section IX CORPORATE GOVERNANCE

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

The Board has assessed the internal control according to the requirements of Basic Standards for Enterprise Internal Control and deemed it valid as at 31 December 2015.

### (II) The Setting of Internal Control Institution

The Company has established a scientific and efficient internal control structuring system, which consists of the Board, Supervisory Committee, managers, functional management departments and business operations departments, each with its definite functions and duties.

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

## Section IX CORPORATE GOVERNANCE

### (III) Establishment and Improvement of Internal Control System

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

#### 1. *Traditional Business Management*

In respect of operation control, the Company formulated or revised various measures to improve the relevant systems, such as the Guidelines for Brokerage Business 2.0, the Administrative Measures on the Appropriateness of Preference Share Investors, the Administrative Measures on Business Parameters (Trail Implementation), the Administrative Measures on Submission of the Data Generated from the Monitoring System of Transaction Settlement Funds of the Customers (Trail Implementation), the Administrative Measures on Customer Accounts (as amended in 2015), the Administrative Measures on Customer Profiles of Branch Offices, the Relevant Provisions of Fixed Income Platform Entrusted Declaration Business, the Administrative Measures on Classification of Settlement Data and Dispatch, the Administrative Measures on Electronic Vouchers (as amended in 2015), the Administrative Measures on Transaction Settlement Funds of Customers (as amended in 2015), the Administrative Measures on the Appropriateness of Investors in the Bond Market, the Administrative Measures on the Operation Procedure for Bulk Transactions of Shenzhen Credit Accounts, the Provisions of File Management (as amended in 2015), the Administrative Measures on the Business Seals of Branch Offices (as amended in 2015), the Rules of Procedures for Meetings of the General Managers, the Interim Measures of On-site Researches made by the Supervisory Committee and the Interim Measures on the Regular Meetings of Supervisors of Subsidiaries.

In respect of risk management, the Company formulated various measures to improve the relevant systems, such as the Administrative Measures on the Classification of Assets in the Financing Business (Trail Implementation), the Administrative Measures on the Freezing of Assets Relating to Terrorist Activities (Trail Implementation), the Administrative Measures on Money Laundering Risk Self-Assessment (Trail Implementation), the Administrative Measures on the Filing of Over-the-counter Securities Business and the Administrative Measures on Information Isolation Wall (as amended in 2015).

In respect of funds management and financial management, the Company formulated or revised various measures to improve the relevant systems, such as the Administrative Measures on the Fixed Assets (Trail Implementation), the Administrative Measures on the Provisions for Bad Debts in the Financing Business (Trail Implementation), the Administrative Measures on the External Credit Approvals (Trail Implementation), the Administrative Measures on the Liquidity Operation of Self-owned Reserve Funds and the Administrative Measures on the Expenses Arising from Overseas Business Trips.



## Section IX CORPORATE GOVERNANCE

In respect of information system control, the Company formulated or revised various measures to improve systems such as the Administrative Measures on Peripheral Trading Systems, the Standards for Deployment of Online Trading Sites, the Administrative Measures on IT Personnel of Branches, the Interim Administrative Measures on the Authority of the Wealth Management System for Corporate and Individual Customers and the Administrative Measures on Users' Authority of the Risk Monitoring System of the Brokerage Business (as amended in 2015).

### **2. Innovative Business Management**

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

The Company formulated appropriate management system and risk control programs at the early stage of its innovative business. In respect of the share option brokerage business, the Company formulated 18 systems and documents including the Administrative Measures on Business Operations, the Rules for Business Operations, the Administrative Measures on Business Authority, the Management System of the Share Option Business of Business Departments, the Accounting Measures (Interim), the Administrative Measures on Risk Control, the Administrative Measures on Compliance, the Administrative Measures on Information Firewall, the Operating Guidance on Mark-to-market and Handling of Default, the Implementation Measures of Auditing, the Implementation Rules for Management of Customer Appropriateness, the Implementation Rules for Investor Education, the Administrative Measures on Handling of Complaints, the Administrative Measures on Customer Services, the Agreement on Share Option Brokerage Business, the Administrative Measures on Settlement Funds, the Administrative Measures on Transfer of Banking Derivatives and the Agreement on Transfer of Banking Derivatives for Customers; in respect of the business of proprietary trading and market-making of stock options, the Company formulated 5 systems including the Administrative Measures on Proprietary Trading of Stock Options, the Administrative Measures on Risks Associated with Proprietary Trading of Stock Options, the Administrative Measures on Market-making of Stock Options, the Administrative Measures on Risks Associated with Market-making of Stock Options and the Contingency Plan for Market-making of Stock Options; and in respect of the precious metal agency business, the Company formulated 17 systems including the Administrative Measures, the Administrative Measures on Handling Customer Complaints, the Administrative Measures on Accounts, the Implementation Rules for Management of Customer Appropriateness, the Work System for Investor Education, the Administrative Measures on Deposits, the Administrative Measures on Contingent Transactions, the Accounting and Auditing Measures, the Administrative Measures on Information Technology, the Rules for Completion of Transactions, the Administrative Measures on Compliance, the Administrative Measures on Funds Settlement, the Administrative Measures on USB-KEY, the Administrative Measures on Authority, the Administrative Measures on Risk Control, the Measures on Settlement of Spot Transactions and the Operating Guidance on Mark-to-market and Handling of Default.

## Section IX CORPORATE GOVERNANCE

The Company revised and improved its established innovative business systems according to the relevant regulatory requirements and business development needs. In light of the rapid growth of its margin financing and securities lending business, the Company revised and improved 21 systems such as the Administrative Measures on the Margin Financing and Securities Lending Business in April 2015, and enhanced the compliance and risk management of its business by making amendments to various business rules and procedures for the margin financing and securities lending business including the rules of procedures for the administration committee, the administrative measures for credit reference checks and credit approval, the administrative measures for collaterals and subject securities and the operating rules for daily mark-to-market and forced liquidation of clients' positions. In addition, amendments and improvements were also made to other innovative business systems including the Administrative Measures on Stock Pledged Repo Business, the Administrative Measures on Proprietary Business for Equity Security and its Derivatives, the Interim Administrative Measures on Multi-manager Fund Business, the Administrative Measures on External Connection to the Share Option Trading System, the Administrative Measures on Appropriateness of Investors of NEEQ Business (Trail Implementation), the Implementing Plan of Appropriateness Management for Investors of NEEQ Business (Trail Implementation), the Administrative Measures on the Internet-based Financial Platform e.htsec.com (Trail Implementation), the Rules for Asset Securitization in the OTC Market, the Administrative Measures on the Product Center (Trail Implementation), the Administrative Measures on Authority of the Product Center (Trail Implementation) and the Operating Rules for Investment Consultation Products Business of the Wealth Management Center (Revision).

### **(IV) Basis of Building Internal Control over Financial Reports**

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

## Section IX CORPORATE GOVERNANCE

During the Reporting Period, the Company formulated or revised and perfected such financial accounting management systems as the Administrative Measures on the Fixed Assets (Trial Implementation), the Administrative Measures on the Provisions for Bad Debts of Financing Businesses (Trial Implementation), the Administrative Measures on the External Credit Approvals (Trial Implementation), the Administrative Measures on the Liquidity Operation of Self-owned Reserve Funds and the Administrative Measures on the Expenses Arising from Overseas Business Trips and other internal control systems, in strict accordance with the PRC Company Law, PRC Accounting Law, Accounting Standard for Business Enterprise, Standardization of Basic Work of Accounting, Financial Rules of Financial Entities and Basic Standards for Enterprise Internal Control, and taking into consideration of industry features and its actual conditions. The Company employed scientific financial accounting structure, qualified professional financial accounting staff, normative and precise financial accounting management systems and appropriate accounting policies and reasonable accounting estimates to ensure that the financial reports prepared by the Company comply with the requirements of accounting standards and can give a true, accurate and complete view on its financial position, operating results, cash flow and relevant information. According to the Articles of Association and relevant provisions, the Company's Supervisory Committee and external audit institutions effectively inspected and supervised the Company's financial position, and delivered their professional audit opinions on the financial reports of the Company.

During the Reporting Period, the sound system of internal control over financial reports of the Company ran well and was able to ensure the quality of financial reports and high reliability of financial information. During the Reporting Period, the Company did not have any significant defects in internal control over financial reports and its annual financial reports are true, accurate and complete.

### **(V) Operations of Internal Control System**

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

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

## Section IX CORPORATE GOVERNANCE

During the Reporting Period, the Company continued to promote the establishment and operation of its comprehensive risk management and liquidity risk management system. In respect of system building, the Company has completed the development of the liquidity risk management information system, officially launched the monitoring system for agency sales of precious metals, and upgraded the option monitoring system. In respect of daily monitoring and information reporting, the Company carries out the comprehensive stress test on an annual basis, the special stress test on liquidity risk of regulatory indicators on a half-year basis, the stress test on payment of liabilities and use of funds of the Company on a monthly basis, the stress test on the limit indicators of market risk and credit risk on a weekly basis, and the stress test on the range of use of funds of major departments of the Company on a daily basis. Moreover, the Company prepares the daily risk report, weekly risk report, monthly risk report, annual risk report, special and comprehensive stress test reports on a periodic basis and reports the same to the management of the Company. In respect of risk management at the subsidiary level, the Company has prepared the template for monthly risk reports for its subsidiaries, requesting all its subsidiaries to submit their respective monthly risk report for review.

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

The Company has formulated the Self-Assessment Handbook of Haitong Securities' Internal Control to regulate the self-assessment of internal control activities. The Company sets up a leading group and a working group for implementation of internal control regulations and an internal control evaluation group. The office meeting among general managers has appointed the compliance and risk management headquarters, which is responsible for guiding the establishment and implementation of internal control, as the leader of the working group for implementation of internal control regulations, and assigned the audit department as the leader of the internal control evaluation group, being responsible for internal control self-assessment and issuance of internal control evaluation reports. The compliance and risk management headquarters and the audit department independently performed their functions of construction and implementation of internal control and the effectiveness evaluation. The compliance and risk management headquarters promoted departmental coordination and urged various departments of the Company to streamline their internal control processes, focusing on the design of internal control process for new businesses. The audit department organised various departments and subsidiaries to conduct self-evaluation on the effectiveness of internal control, reviewed and evaluated the preliminary drafts, summarized the weaknesses on internal control and followed up the rectification of such weaknesses.

### **(VII) Defects in Internal Control and Identification Thereof**

The Board of the Company determined internal control defects and their specific identification standards applicable to the Company, namely, significant defects, important defects and common defects to the extent of impact of defects, according to requirements in identifying significant defects, important defects and common defects under Basic Standards for Enterprise Internal Control, Guidelines for the Evaluation of Enterprise Internal Control, Guidelines for Internal Control of Securities Companies and Guidelines of Shanghai Stock Exchange for Internal Control of Listed Companies and taking into account of various factors including the scale of the Company, industry features and risk level.

## Section IX CORPORATE GOVERNANCE

Significant defects refer to a combination of one or more control defects which may lead to serious deviation from the control target of the Company. Important defects refer to a combination of one or more control defects with impacts and economic consequences less serious than those of significant defects but may still lead to deviation from the control target of the Company. Common defects refer to any defects other than significant defects and important defects.

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

The Company self-evaluated the effectiveness of the design and implementation of its internal control up to 31 December 2015 pursuant to the requirements of the relevant laws and regulations of the Basic Standards for Enterprise Internal Control, Guidelines for the Evaluation of Enterprise Internal Control, Guidelines for Internal Control of Securities Companies and Guidelines of Shanghai Stock Exchange for Internal Control of Listed Companies, and the 2015 Internal Control Evaluation Report was issued by the Company. During the Reporting Period, the Company set up internal control systems for businesses and issues included in evaluation scope, and put them into effect earnestly, with relevant goals achieved without any significant defects in respect of the design and implementation of the internal control. From the reporting base date to the date of issuance of internal control evaluation report, there were no material changes in the internal control system that may have a substantive influence on evaluation results.

During the Reporting Period, the external certified public accountants of the Company independently audited the design and implementation of its internal control. They considered that the Company had maintained effective internal control on financial reports pursuant to the Basic Standards for Enterprise Internal Control and relevant regulations in material aspects and did not discover any significant defects in non-financial reports related internal control systems.

### **(IX) Work Plan of Internal Control in 2016**

The internal control should be appropriate to the Company's scale of operation, business scope, competition situation and risk level and adjustments should be made in a timely manner as circumstances change. The work plan for internal control in 2016 mainly includes: proceeding with the establishment and operation of the comprehensive risk management and liquidity risk management system, promoting the establishment of the risk management system and implementing daily monitoring and information reporting in accordance with regulatory requirements and the Company's internal requirements; timely updating and constantly establishing and improving of the "Before, During and After Conducting Business" control system, policies and processes of the Company, especially system for the innovation business, according to business development needs; continuously and proactively identifying and assessing risks to perfect and improve risk control and management strategies in time; urging the rectification of the existing problems identified in the internal control and evaluation process, and amending internal control and evaluation handbook to improve the efficiency and effectiveness of internal control; and further enhancing propaganda and training of internal control to upgrade the internal control and risk management level of the Company.

## Section IX CORPORATE GOVERNANCE

### XI. OTHERS

#### (I) Company secretary

Mr. Huang Zhenghong and Ms. Wong Wai Ling are the joint company secretaries of the Company (appointed on 28 April 2015 and 14 December 2015, respectively). Ms. Wong Wai Ling serves as an assistant vice president of SW Corporate Services Group Limited. Mr. Huang Zhenghong, the Board secretary and the joint company secretary of the Company, is her main contact person with the Company. According to Rule 3.29 of the Hong Kong Listing Rules, Mr. Huang Zhenghong and Ms. Wong Wai Ling have both received no less than 15 hours of relevant professional training for the year ended 31 December 2015.

#### (II) Compliance with codes on securities transaction

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

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

#### (III) Internal control

For details of the audit report on internal control of the Company, please see the 2015 Annual Audit Report on Internal Control of Haitong Securities Co., Ltd. disclosed by the Company on the website of the Shanghai Stock Exchange.

#### (IV) Directors' and auditor's responsibility for the financial statements

The Board acknowledged its responsibility of preparing the annual report for the year ended 31 December 2015 of the Group on a going concern basis.

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

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

## Section IX CORPORATE GOVERNANCE

### (V) Communications with shareholders

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

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

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

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

The Board will be arranged to attend the Company's 2015 annual general meeting to answer shareholders' enquiries.

Detailed procedures of voting and resolutions to be voted by way of poll will be published on the website of the Shanghai Stock Exchange (for A Shares) or contained in the circular to be dispatched to shareholders (for H Shares).

## Section IX CORPORATE GOVERNANCE

### **(VI) Investor relation activities**

Standardized and specialized investor relationship management is not only a listed company's statutory responsibility, but also an effective means of managing a company's market value. The Board attaches great importance to the management of investor relations and strengthens communication services with investors through various platforms, such as hotlines set up specially for investors, E-mail, call centre, Company's website, teleconferences, on-site reception, online interaction, meeting-and-greeting of investors, performance briefings, quarterly, semi-annual and annual road shows, e-interactive platform launched by Shanghai Stock Exchange, etc. During 2015, the Company received 45 surveys and visits from domestic and foreign institutions and analysts. In addition, the Company received around 530 investors, participated in 14 exchange sessions with securities companies, organized 12 telephone conferences, arranged press conferences on annual report, interim report and quarterly reports, as well as hosting interactive question and answer sessions with investors. These activities effectively enhanced the transparency of the Company and improved investors' experience.

### **(VII) Other matters to be reported**

During the Reporting Period, the Articles of Association was amended three times. Please refer to the announcements of the Company dated 6 February 2015, 28 April 2015 and 13 May 2015 and the circulars of the Company dated 23 January 2015 and 18 May 2015 for the details of amendments.



## SECTION X CORPORATE BONDS

### I. BASIC INFORMATION OF CORPORATE BONDS

Unit: RMB100 million

Name of bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate	Method to repay principal and pay interest	Venue of trading
2013 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	13 Haitong 01	122280	25 November 2013	25 November 2016	72.6	6.05%	Simple annualised interest rate	Shanghai Stock Exchange
2013 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	13 Haitong 02	122281	25 November 2013	25 November 2018	23.5	6.15%	Simple annualised interest rate	Shanghai Stock Exchange
2013 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	13 Haitong 03	122282	25 November 2013	25 November 2023	23.9	6.18%	Simple annualised interest rate	Shanghai Stock Exchange
2013 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	13 Haitong 04	122311	14 July 2014	14 July 2017	56.5	5.25%	Simple annualised interest rate	Shanghai Stock Exchange
2013 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	13 Haitong 05	122312	14 July 2014	14 July 2019	45.5	5.45%	Simple annualised interest rate	Shanghai Stock Exchange
2013 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	13 Haitong 06	122313	14 July 2014	14 July 2024	8	5.85%	Simple annualised interest rate	Shanghai Stock Exchange

Note: Method to repay principal and pay interest refers to simple annualised interest rate without any compound interest, with interest payable annually in arrears, and principal to be repaid upon maturity in one lump sum together with the interest payable for the last period. No additional interests will be accrued upon payment date of interest for each period and upon repayment date of principal.

## SECTION X CORPORATE BONDS

### Further Description of Corporate Bonds

#### 1. Subordinated bonds

The Resolution on the General Mandate to Issue Other Onshore Debt Financing Instruments was considered and passed at the thirty-second meeting of the fifth session of the Board on 19 December 2014 and the first extraordinary general meeting of 2015, the first A shareholders' class meeting of 2015 and the first H shareholders' class meeting of 2015 of the Company on 9 February 2015, respectively, pursuant to which the Company was approved to issue other onshore debt financing instruments other than short-term financing bills of securities companies and corporate bonds with an aggregate issue size of no more than 200% of the net asset value of the Company by the end of the preceding period on a one-off or multiple issuances or multi-tranche issuances basis through public or non-public offerings, and the chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of other onshore debt financing instruments at their sole discretion. Up to the present, the Company has issued two tranches of subordinated bonds with an aggregate size of RMB35,000 million. The first tranche with an issue size of RMB15,000 million was issued on 8 April 2015, the term of which was five years and the issuer was entitled to redeem the bonds at the end of the third year. The issue of the second tranche with an issue size of RMB20,000 million was completed on 12 June 2015, of which the first type with an issue size of RMB15,000 million was for a term of three years and the issuer was entitled to redeem the bonds at the end of the second year; the second type with an issue size of RMB5,000 million was for a term of five years and the issuer was entitled to redeem the bonds at the end of the third year.

Type of stocks and derivative securities	Date of issuance	Issue price (or interest rate)	Issue size	Date of listing	Amount approved for listing and trading
Subordinated bonds	8 April 2015	5.50%	RMB15,000 million	11 May 2015	RMB15,000 million
Subordinated bonds	12 June 2015	5.30%	RMB15,000 million	26 August 2015	RMB15,000 million
Subordinated bonds	12 June 2015	5.38%	RMB5,000 million	26 August 2015	RMB5,000 million

## SECTION X CORPORATE BONDS

### 2. *Short-term corporate bonds*

On 26 March 2013, the Resolution on the General Mandate to Issue Other Onshore Debt Financing Instruments was considered and passed at the sixteenth meeting of the fifth session of the Board. The resolution was considered and passed at the 2012 annual general meeting of the Company held on 27 May 2013, and the Company was permitted to issue onshore other debt financing instruments (excluding short-term financing bills of securities companies and corporate bonds) on an one-off or multiple issuances or multi-tranche issuances through public or non-public offerings, and the chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of other onshore debt financing instruments at their sole discretion. On 28 October 2014, the Resolution on Issuance of Short-term Corporate Bonds of Securities Companies was passed at the twenty-ninth meeting (extraordinary meeting) of the fifth session of the Board, and the chairman and general manager of the Company were authorized to jointly or individually deal with related matters regarding the issuance of short-term corporate bonds of securities companies on behalf of the Company according to the resolutions passed at the general meeting and the authorization of the Board. According to the Circular on Related Matters of Pilot Issue of Short-term Corporate Bonds by Securities Companies (Department of Fund and Intermediary Supervision Han [2014] No. 1526) issued by CSRC, the Company was approved to perform the pilot issue of short-term corporate bonds. According to the Notice on Acceptance of the Filings of Issue of Short-term Corporate Bonds by Securities Companies (Shang Zheng Duan Zhai [2014] No. 4, issued on 20 November 2014 with a validity period of one year) issued by the Shanghai Stock Exchange and received by the Company, the principal amount of the short-term corporate bonds of securities companies which the Company has filed with the Shanghai Stock Exchange was RMB20,000 million. During the Reporting Period, the Company completed the issue of one tranche of short-term corporate bonds with a size of RMB8,000 million on 13 May 2015, the term of which was one year.

## II. LIAISON PERSONS AND CONTACT DETAILS OF THE CORPORATE BOND TRUSTEE AND CONTACT DETAILS OF THE CREDIT-RATING AGENCY

Bond trustee	Name	CITIC Securities Company Limited
	Office address	22nd and 23rd Floors, CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
	Contact persons	Ma Xiaolong, Wang Chaonan, Liang Zongbao, Song Yilan, Wang Hongfeng, Chang Wei, Sheng Zifei, Wang Yu
Credit-rating agency	Tel	010-60838888
	Name	China Chengxin Securities Ratings Co., Ltd. (中誠信證券評估有限公司)
	Office address	8th Floor, No. 760 Xizang South Road, Shanghai

## SECTION X CORPORATE BONDS

### III. USE OF PROCEEDS FROM ISSUANCE OF CORPORATE BONDS

#### 1. 2013 Corporate Bonds (Tranche 1)

According to the approval issued by CSRC (Zheng Jian Xu Ke [2013] No. 1220), the issuer issued the first tranche of corporate bonds of RMB12,000 million to the public on 27 November 2013. According to the prospectus in connection with the issuance of the said tranche of bonds published by the issuer on 20 November 2013, the issuer's intended use of proceeds raised therefrom was to replenish the working capital and improve the financial structure of the Company.

The gross proceeds raised from the issuance of the said tranche of bonds were deposited into the designated account of the issuer on 27 November 2013, and were used to replenish the working capital and improve the financial structure of the Company, which were consistent with the committed use, the usage plan and other agreements as described in the prospectus. A capital verification report ("Xin Kuai Shi Bao Zi [2013] No. 114129") in respect of the subscription amounts for the online issue, a capital verification report ("Xin Kuai Shi Bao Zi [2013] No. 114130") in respect of the subscription amounts for the offline placing and a capital verification report ("Xin Kuai Shi Bao Zi [2013] No. 114107") in respect of the actual receipt of proceeds from the issuance were issued by BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) per appointment by the issuer.

As of the end of Reporting Period, the balance of this tranche of bonds was RMB12,000 million. No dedicated account for fund raising was established as the said tranche of bonds was issued on 27 November 2013.

#### 2. 2013 Corporate Bonds (Tranche 2)

According to the approval issued by CSRC (Zheng Jian Xu Ke [2013] No. 1220), the issuer issued the second tranche of corporate bonds of RMB11,000 million to the public on 16 July 2014. According to the prospectus in connection with the issuance of the said tranche of bonds published by the issuer on 10 July 2014, the issuer's intended use of proceeds raised therefrom was to replenish the working capital and improve the financial structure of the Company.

The gross proceeds raised from the issuance of the aforesaid tranche of corporate bonds were deposited into the designated account of the issuer on 16 July 2014, and were used to replenish the working capital and improve the financial structure of the Company, which were consistent with the committed use, the usage plan and other agreements as described in the prospectus. A capital verification report ("Xin Kuai Shi Bao Zi [2014] No. 113875") in respect of the subscription amounts for the online issue, a capital verification report ("Xin Kuai Shi Bao Zi [2014] No. 113874") in respect of the subscription amounts for the offline placing and a capital verification report ("Xin Kuai Shi Bao Zi [2014] No. 113873") in respect of the actual receipt of proceeds from the issuance were issued by BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) per appointment by the issuer.

As of the end of the Reporting Period, the balance of this tranche of bonds was RMB11,000 million. No dedicated account for fund raising was established as the said tranche of bonds was issued on 16 July 2014.

## SECTION X CORPORATE BONDS

### IV. INFORMATION ON THE CREDIT-RATING AGENCY OF CORPORATE BONDS

Established in August 1997, China Chengxin Securities Ratings Co., Ltd. (中誠信證券評估有限公司) (“中誠信評估” for Chinese abbreviation and “CCXR” for English abbreviation) was licensed by CSRC and the People’s Bank of China to principally carry out stock market credit rating and lending market credit rating businesses.

In September 2007, as approved by CSRC, CCXR became the first credit-rating company licensed to carry out stock market credit rating business under the new mechanisms for issuance of corporate bonds.

CCXR is a wholly-owned subsidiary of China Chengxin Credit Management Co., Ltd., with its place of incorporation in Shanghai and head office in Beijing.

Business qualifications of CCXR include: corporate bond rating qualifications (Zheng Jian Ji Gou Zi [2007] No. 223) approved by CSRC and lending enterprise rating qualifications approved by Shanghai Branch of the People’s Bank of China.

On 30 April 2015, the Company published CCXR’s periodical follow-up ratings on the aforesaid two tranches of corporate bonds in issue (Xin Ping Wei Han Zi [2015] Gen Zong No.048 and No.049) on the website of the Hong Kong Stock Exchange. It is expected and the investors are hereby advised that the updated follow-up ratings will be completed within two months upon publication of the Company’s 2015 annual report and will be disclosed by the Company on the website of the Hong Kong Stock Exchange in due course.

There were no issues requiring unscheduled follow-up ratings during the Reporting Period. In addition, CCXR conducted a corporate rating on the Company (Xin Ping Wei Han Zi [2015] No.070) due to the Company’s issuance of 2015 Subordinated Bonds (Tranche 2) during the Reporting Period. The corporate rating remained at AAA.

### V. CREDIT ENHANCEMENT MECHANISMS FOR CORPORATE BONDS, REPAYMENT PLAN AND OTHER RELEVANT INFORMATION DURING THE REPORTING PERIOD

There were no credit enhancement mechanisms for corporate bonds.

Repayment plan and other relevant information:

#### 1. Repayment plan for 2013 Corporate Bonds (Tranche 1) and payment of interest during the Reporting Period

This tranche of bonds carries interest payable annually in arrears, and the interest payable for the last period will be paid in arrears together with principal upon maturity; no additional interests will be accrued upon payment date of interest for each period and upon repayment date of principal. The repayment of principal and payment of interest of this tranche of bonds shall be handled via the registration institutions and relevant institutions.

## SECTION X CORPORATE BONDS

The interest of this tranche of bonds with a maturity term of three years will be paid in arrears on 25 November each year from 2014 to 2016 (or the following working day if such date shall fall on a statutory holiday and/or non-working day, in which case no additional interest will be accrued).

The interest of this tranche of bonds with a maturity term of five years will be paid in arrears on 25 November each year from 2014 to 2018 (or the following working day if such date shall fall on a statutory holiday and/or non-working day, in which case no additional interest will be accrued).

The interest of this tranche of bonds with a maturity term of ten years will be paid in arrears on 25 November each year from 2014 to 2023 (or the following working day if such date shall fall on a statutory holiday and/or non-working day, in which case no additional interest will be accrued).

The principal of this tranche of bonds with a maturity term of three years will be repaid on 25 November 2016 (or the following working day if such date shall fall on a statutory holiday and/or non-working day, in which case no additional interest will be accrued).

The principal of this tranche of bonds with a maturity term of five years will be repaid on 25 November 2018 (or the following working day if such date shall fall on a statutory holiday and/or non-working day, in which case no additional interest will be accrued).

The principal of this tranche of bonds with a maturity term of ten years will be repaid on 25 November 2023 (or the following working day if such date shall fall on a statutory holiday and/or non-working day, in which case no additional interest will be accrued).

During the Reporting Period, the balance of this tranche of bonds was RMB12,000 million, and the interests of all three types were paid on 25 November 2015 in a timely manner. For details, please refer to the announcement (No. Lin 2015-075) published on the website of the Shanghai Stock Exchange.

### **2. Repayment plan for 2013 Corporate Bonds (Tranche 2) and payment of interest during the Reporting Period**

This tranche of bonds carries interest payable annually in arrears, and the interest payable for the last period will be paid in arrears together with principal upon maturity; no additional interests will be accrued upon payment date of interest for each period and upon repayment date of principal. The repayment of principal and payment of interest of this tranche of bonds shall be handled via the registration institutions and relevant institutions.

The interest of this tranche of bonds with a maturity term of three years will be paid in arrears on 14 July each year from 2015 to 2017 (or the following working day if such date shall fall on a statutory holiday and/or non-working day, in which case no additional interest will be accrued).

## SECTION X CORPORATE BONDS

The interest of this tranche of bonds with a maturity term of five years will be paid in arrears on 14 July each year from 2015 to 2019 (or the following working day if such date shall fall on a statutory holiday and/or non-working day, in which case no additional interest will be accrued).

The interest of this tranche of bonds with a maturity term of ten years will be paid in arrears on 14 July each year from 2015 to 2024 (or the following working day if such date shall fall on a statutory holiday and/or non-working day, in which case no additional interest will be accrued).

The principal of this tranche of bonds with a maturity term of three years will be repaid on 14 July 2017 (or the following working day if such date shall fall on a statutory holiday and/or non-working day, in which case no additional interest will be accrued).

The principal of this tranche of bonds with a maturity term of five years will be repaid on 14 July 2019 (or the following working day if such date shall fall on a statutory holiday and/or non-working day, in which case no additional interest will be accrued).

The principal of this tranche of bonds with a maturity term of ten years will be repaid on 14 July 2024 (or the following working day if such date shall fall on a statutory holiday and/or non-working day, in which case no additional interest will be accrued).

During the Reporting Period, the balance of this tranche of bonds was RMB11,000 million, and the interests of all three types were paid on 14 July 2015 in a timely manner. For details, please refer to the announcement (No. Lin 2015-041) published on the website of the Shanghai Stock Exchange.

### 3. Other relevant information

In addition to the repayment of principal and payment of interest, the implementation of and changes in the repayment plan as described in the prospectus involve the "Repayment Funding Source" and the "Repayment Emergency Plan". During the Reporting Period, the Company maintained sound revenue streams, accumulation of profits and external facilities as well as current assets which can easily be realised. All these factors served as a strong guarantee for the Company's timely repayment of principal and payment of interest, which was consistent with such commitments as described in the prospectus;

As for the implementation of and changes in other repayment supporting measures, the Company, in strictly compliance with the relevant rules of procedure for the bondholders' meeting, organised bondholders to exercise their powers through bondholders' meetings, engaged CITIC Securities as the bond trustee for both tranches of bonds to safeguard bondholders' interests in accordance with the Bond Trustee Agreement entered into with it, and strictly complied with relevant fund management plans and information disclosure requirements. All these factors and the issuer's commitment remained unchanged, which was consistent with the descriptions in the prospectus.

No dedicated repayment account was established for either tranche of corporate bonds issued by the Company to the public.

## SECTION X CORPORATE BONDS

### VI. MEETINGS CONVENED FOR HOLDERS OF CORPORATE BONDS

#### 1. 2013 Corporate Bonds (Tranche 1)

No bondholders' meetings were convened by the issuer in 2013 and 2014.

On 2 November 2015, the Company's first bondholders' meeting of 2015 was convened by CITIC Securities, the bond trustee, by means of telecommunications, at which the proposal on partial repurchase of A Shares/H Shares by the Company were considered and voting results thereof were announced. No valid resolution was made due to failure to satisfy the requirements of the Rules of Procedure for the Bondholders' Meeting.

#### 2. 2013 Corporate Bonds (Tranche 2)

No bondholders' meetings were convened by the issuer in 2014.

On 2 November 2015, the Company's first bondholders' meeting of 2015 was convened by CITIC Securities, the bond trustee, by means of telecommunications, at which the proposal on partial repurchase of A Shares/H Shares by the Company were considered and voting results thereof were announced. No valid resolution was made due to failure to satisfy the requirements of the Rules of Procedure for the Bondholders' Meeting.

### VII. DUTY PERFORMANCE OF THE BOND TRUSTEE OF THE CORPORATE BONDS

The bond trustee had no conflict of interest in the course of performing its duties. The report of bond trustee for 2014 in respect of both tranches of bonds of the Company was issued by the bond trustee on 13 April 2015, and was announced by the Company on the website of the Hong Kong Stock Exchange on 30 April 2015. It is expected and the investors are hereby advised that the corresponding report of bond trustee for 2015 will be completed within one month upon publication of the Company's 2015 annual report and will be disclosed by the Company on the website of the Hong Kong Stock Exchange in due course.



## SECTION X CORPORATE BONDS

### VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE PAST TWO YEARS UP TO THE END OF THE REPORTING PERIOD

Unit: RMB

Key indicators	2015	2014	Movement for the period as compared to last corresponding period (%)	Reasons for changes
EBITDA	34,540,965,190.90	15,044,887,204.86	129.59%	Mainly due to increase in total profit and interest expenses
Net cash flows generated from investment activities	-35,966,393,125.96	-12,294,284,255.86	-192.55%	Mainly due to increase in cash outflow for investing activities
Net cash flows generated from financing activities	97,077,920,186.31	45,573,041,593.33	113.02%	Mainly due to issue of new H Shares and increase in liabilities such as bonds
Balance of cash and cash equivalents at the end of the period	178,023,172,588.34	100,469,264,938.38	77.19%	Mainly due to increase in deposits from customers and cash inflow from financing activities
Liquidity ratio	1.61	1.39	16.11%	/
Quick ratio	1.61	1.39	16.11%	/
Gearing ratio	73.87%	73.42%	0.61%	/
EBITDA to total debts ratio	0.10	0.08	38.69%	Mainly due to increase in EBITDA
Interest coverage multiple	2.61	3.51	-25.58%	/
Cash interest coverage multiple	2.72	3.84	-29.04%	/
EBITDA interest coverage multiple	2.63	3.57	-26.35%	/
Loan repayment ratio	100%	100%	0.00%	/
Interest payment ratio	100%	100%	0.00%	/

Note: Liquidity ratio = (Bank and cash balance + Clearing settlement funds + Placement to banks and other financial institutions + Margin loan + Financial assets held for trading + Derivative financial assets + Financial assets held under resale agreements + Accounts receivables + Interest receivable – Account payable to brokerage clients – Funds payable to securities issuers + Other receivables + Dividend receivable + Underwriting fees to be transferred)/(Short-term borrowings + Deposit taken from other financial institutions + Financial liabilities held for trading + Derivative financial liabilities + Financial assets sold under repurchase agreements + Payroll payable + Taxes payable + Interest payables + Short-term financing bills payables + Accounts payable)

Quick ratio = (Bank and cash balance + Clearing settlement funds + Placement to banks and other financial institutions + Margin loan + Financial assets held for trading + Derivative financial assets + Financial assets held under resale agreements + Accounts receivables + Interest receivable – Account payable to brokerage clients – Funds payable to securities issuers + Other receivables + Dividend receivable + Underwriting fees to be transferred)/(Short-term borrowings + Deposit taken from other financial institutions + Financial liabilities held for trading + Derivative financial liabilities + Financial assets sold under repurchase agreements + Payroll payable + Taxes payable + Interest payables + Short-term financing bills payables + Accounts payable)

The above financial indicators are based on calculation in accordance with the PRC GAAP.

## SECTION X CORPORATE BONDS

### IX. ASSETS OF THE COMPANY AT THE END OF THE REPORTING PERIOD

Save for the assets with restricted ownership or right to use as disclosed in the financial report, none of the assets of the Company was subject to mortgage or pledge, or was sealed off or frozen, or could not be realised until fulfilment of certain conditions or at all, or could not be used to secure or repay debts, or was subject to circumstances or arrangements with restricted rights, or otherwise might be against preference repayment of debts of third parties.

### X. PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

During the Reporting Period, the Company made the following two payments of interest and repayments of principal of its other bonds and debt financing instruments:

1. As disclosed in the announcements (No. Lin 2015-009 and No. Lin 2015-010) published on the Shanghai Stock Exchange, the Company paid the interest and repaid the principal of its 2014 Short-Term Corporate Bonds (Tranche 2) on 23 March 2015.
2. As disclosed in the announcements (No. Lin 2015-076 and No. Lin 2015-080) published on the Shanghai Stock Exchange, the Company paid the interest and repaid the principal of its 2014 Short-Term Corporate Bonds (Tranche 1) on 3 December 2015.

### XI. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company obtained aggregate banking facilities of RMB315,100 million from a total of 62 banks, among which RMB190,000 million was from the top ten major banks and RMB125,100 million from other banks. As of the end of the Reporting Period, the Company had utilised banking facilities of RMB109,300 million, with the remaining available banking facilities amounting to RMB205,800 million.

### XII. IMPLEMENTATION OF AGREEMENTS OR COMMITMENTS AS DESCRIBED IN THE PROSPECTUS IN CONNECTION WITH ISSUANCE OF CORPORATE BONDS DURING THE REPORTING PERIOD

There were no agreements or commitments described in the prospectus in connection with the issuance of corporate bonds.

### XIII. MATERIAL EVENTS AND IMPACT THEREOF ON THE OPERATIONS AND SOLVENCY OF THE COMPANY

During the Reporting Period, there were no material events which had impact on the operations and solvency of the Company.

## SECTION XI FINANCIAL REPORT

- (I) The 2015 Financial Report (H Share) of the Company has been audited by Deloitte Touche Tohmatsu which has issued a standard unqualified audit report.
- (II) Financial statements (H Share) (as appended).
- (III) Notes to financial statements (H Share) (as appended).

## SECTION XII DOCUMENTS AVAILABLE FOR INSPECTION

- I. Text of annual report bearing the signature of legal representative of the Company.
- II. Text of the financial report with signatures and seals of the legal representative, the chief financial officer and the person responsible for the accounting affairs of the Company.
- III. Text of the auditor's report issued by Deloitte Touche Tohmatsu.
- IV. Original copies of all documents and announcements disclosed on newspapers designated by CSRC during the Reporting Period.
- V. Annual reports disclosed in other securities markets.
- VI. Other relevant materials.

## SECTION XIII INFORMATION DISCLOSURE OF SECURITIES COMPANY

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

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

New business departments	Relocation of branches	Relocation of business departments
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19	2	12
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#### 1. Administrative Licensing of Set-up of Business Departments during the Reporting Period

No.	Business department	Address	Approval document No.	Approval date	License obtained on
1	Business department of Haitong Securities Co., Ltd. in Gaoxin South Road Four, Shenzhen	6/F, ZTE R&D Building, No. 13, Gaoxin South Road Four, Nanshan District, Shenzhen	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	2 February 2015
2	Business department of Haitong Securities Co., Ltd. in Fucheng Street, Funing, Yancheng	No. 296, Fucheng Street, Funing County	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	2 February 2015
3	Business department of Haitong Securities Co., Ltd. in Fenghuang North Road, Huadu, Guangzhou	Room 418, Yongyu Garden Hotel, No. 41, Fenghuang North Road, Xinhua Town, Huadu District, Guangzhou	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015
4	Business department of Haitong Securities Co., Ltd. in Yingbin Avenue West, Jiangmen	Room 108, Oriental Plaza Building, No. 3, Yingbin Avenue West, Jiangmen	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015
5	Business department of Haitong Securities Co., Ltd. in Junggar Road, Keramay	No. 220, Junggar Road (Building 8, New Word Commercial Street), Keramay, Xinjiang	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015
6	Business department of Haitong Securities Co., Ltd. in Wanghai Road, Shenzhen	09/F, China Merchants Plaza, Wanghai Road, Shekou, Nanshan District, Shenzhen	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015
7	Business department of Haitong Securities Co., Ltd. in Bayi South Street, Jinhua	2/F, A Area, Jinhua Commercial City, No. 288, Bayi South Street, Wucheng District, Jinhua, Zhejiang Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015
8	Business department of Haitong Securities Co., Ltd. in Shuxi Street, Cangzhou	Room 104, Building 10, Sunshine International, Yunhe District, Cangzhou, Hebei Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015
9	Business department of Haitong Securities Co., Ltd. in Shifu Avenue, Taizhou	No. 251-1 & 251-2, Shifu Avenue, Taizhou	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015

## SECTION XIII INFORMATION DISCLOSURE OF SECURITIES COMPANY

No.	Business department	Address	Approval document No.	Approval date	License obtained on
10	Business department of Haitong Securities Co., Ltd. in Dongchang Road, Liaocheng	No. 10, Dongchang Road, Liaocheng Economic & Technological Development Area, Shandong Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	11 March 2015
11	Business department of Haitong Securities Co., Ltd. in Feicui Road, Hefei	Room 301, Block 1, E2 Commercial Site, Zhonghuancheng, No. 2666, Shimen Road, Hefei Economic & Technological Development Area, Anhui Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	14 April 2015
12	Business department of Haitong Securities Co., Ltd. in Liedong Street, Sanming	Room 1701 & 1703, 17/F, Block 11, Mudan Xincun, Meilie District, Sanming, Fujian Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	14 April 2015
13	Business department of Haitong Securities Co., Ltd. in Wenhua West Street, Yinchuan	Room B07, 12/F, Block B, Yinchuan International Trade Center, No. 106, Wenhua West Street, Xingqing District, Yinchuan	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	14 April 2015
14	Business department of Haitong Securities Co., Ltd. in Wusi West Road, Xining	2/F, Block 1, No. 22, Wusi West Road, Chengxi District, Xining, Qinghai Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	15 April 2015
15	Business department of Haitong Securities Co., Ltd. in Fuwai Street, Beijing	A2010, No. 2, Fuchengmenwai Street, Xicheng District, Beijing	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	21 April 2015
16	Business department of Haitong Securities Co., Ltd. in Liangmaqiao Road, Beijing	S109A, Building 1, No. 50, Liangmaqiao Road, Chaoyang District, Beijing	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	21 April 2015
17	Business department of Haitong Securities Co., Ltd. in Beiyi Road, Shihezi	No. 240, 4th Area, Beiyi Road, Shihezi, Xinjiang	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	21 April 2015
18	Business department of Haitong Securities Co., Ltd. in Qingchang Avenue, Fuqing	Room 1206, A2 Office Building, Wanda Plaza, Qingchang Avenue, Fuqing, Fuzhou, Fujian Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	21 April 2015
19	Business department of Haitong Securities Co., Ltd. in Longteng Middle Road, Longyan	Room 03, 2/F, Block 56-61, No. 488 (City Center Garden Phase 3), Longteng Middle Road, Xipi Town, Xinluo District, Longyan, Fujian Province	Hu Zheng Jian Xu Ke [2014] No. 307	17 October 2014	23 April 2015

## SECTION XIII INFORMATION DISCLOSURE OF SECURITIES COMPANY

### 2. Administrative Licensing of Relocation of Branches during the Reporting Period

No.	Name of branches before relocation	Name of branches after relocation	New address	License obtained on
1	Haitong Securities Co., Ltd. (Hubei Branch)	Haitong Securities Co., Ltd. (Hubei Branch)	No. 144, Zhaojiatiao, Erqi Street, Jiang'an District, Wuhan, Hubei Province	20 July 2015
2	Haitong Securities Co., Ltd. (Jiangxi Branch)	Haitong Securities Co., Ltd. (Jiangxi Branch)	Room 4505-4506, Lianfa Plaza Office Building, No. 129, Lvyin Road, Honggutan New Area, Nanchang, Jiangxi Province	2 September 2015

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

No.	Name of business department before relocation	Name of business department after relocation	New address	License obtained on
1	Business department of Haitong Securities Co., Ltd. in Benxi Road, Shanghai	Business department of Haitong Securities Co., Ltd. in Zhengben Road, Yangpu District, Shanghai	No. 141, Zhengben Road, Yangpu District, Shanghai	7 January 2015
2	Business department of Haitong Securities Co., Ltd. in Dongzhi Road, Harbin	Business department of Haitong Securities Co., Ltd. in Yiman Street, Harbin	No. 80, Yiman Street, Nangang District, Harbin, Heilongjiang Province	19 January 2015
3	Business department of Haitong Securities Co., Ltd. in Youxian District, Mianyang	Business department of Haitong Securities Co., Ltd. in Changhong Avenue, Mianyang	No. 21 (2/F, Block 4, Future City), North Section of Changhong Avenue, Fucheng District, Mianyang	28 January 2015
4	Business department of Haitong Securities Co., Ltd. in Xietu Road, Shanghai	Business department of Haitong Securities Co., Ltd. in Weiqing West Road, Jinshan District, Shanghai	No. 612, Weiqing West Road, Jinshan District, Shanghai	13 February 2015
5	Business department of Haitong Securities Co., Ltd. in Renmin Middle Road, Nantong	Business department of Haitong Securities Co., Ltd. in Renmin Middle Road, Nantong	No. 23-6, Renmin Middle Road, Nantong, Jiangsu Province	15 February 2015
6	Business department of Haitong Securities Co., Ltd. in Wulan Street, Songyuan	Business department of Haitong Securities Co., Ltd. in Wulan Street, Songyuan	No. 2356, Wulan Street, Ningjiang District, Songyuan, Jilin Province	24 March 2015

## SECTION XIII INFORMATION DISCLOSURE OF SECURITIES COMPANY

No.	Name of business department before relocation	Name of business department after relocation	New address	License obtained on
7	Business department of Haitong Securities Co., Ltd. in Changsheng Street, Shuangcheng, Harbin	Business department of Haitong Securities Co., Ltd. in Longhua Street, Shuangcheng, Harbin	Shangfu No. 28, 29, 30, 2/F, Block 11, Century Modern City, Longhua Street, Shuangcheng, Harbin, Heilongjiang Province	8 April 2015
8	Business department of Haitong Securities Co., Ltd. in Taishan South Road, Zaozhuang	Business department of Haitong Securities Co., Ltd. in Yanshan Road, Zaozhuang	Room 22, Building 1, D Area, Yanshan International, Yanshan Road, Xuecheng, Zaozhuang	29 April 2015
9	Business department of Haitong Securities Co., Ltd. in Danjin Road, Danyang	Business department of Haitong Securities Co., Ltd. in Dongfang Road, Danyang	Shop No. 5, 6, Block 2, Dongfangjiayuan, Dongfang Road, Danyang, Jiangsu Province	20 May 2015
10	Business department of Haitong Securities Co., Ltd. in Yuyang, Yulin	Business department of Haitong Securities Co., Ltd. in Yuyang, Yulin	No. 01, 3/F, No. 112 Shangjun North Road, Yuyang District, Yulin	25 May 2015
11	Business department of Haitong Securities Co., Ltd. in Tongjiang Street, Harbin	Business department of Haitong Securities Co., Ltd. in Tongjiang Street, Harbin	No. 218, Tongjiang Street, Daoli District, Harbin	26 May 2015
12	Business department of Haitong Securities Co., Ltd. in Jiangda Road, Wuhan	Business department of Haitong Securities Co., Ltd. in Zhaojiatiao, Wuhan	No. 144, Zhaojiatiao, Erqi Street, Jiang'an District, Wuhan	20 July 2015

#### 4. Inaugural Administrative Licensing Matters of Directors, Supervisors and Senior Management

No.	Date	Contents
1	March 2015	Shanghai Supervision Bureau of CSRC issued "The reply of approval on qualification of Huang Zhenghong as senior management of securities company" (Hu Zheng Jian Xu Ke [2015] No. 46) to the Company, approving qualification of Huang Zhenghong as senior management of securities company
2	May 2015	Shanghai Supervision Bureau of CSRC issued "The reply of approval on qualification of Shen Tiedong as director of securities company" (Hu Zheng Jian Xu Ke [2015] No. 66) to the Company, approving qualification of Shen Tiedong as director of securities company
3	May 2015	Shanghai Supervision Bureau of CSRC issued "The reply of approval on qualification of Yu Liping as director of securities company" (Hu Zheng Jian Xu Ke [2015] No. 67) to the Company, approving qualification of Yu Liping as director of securities company
4	July 2015	Shanghai Supervision Bureau of CSRC issued "The reply of approval on qualification of Shou Weiguang as personnel with nature of chairman of board of securities company" (Hu Zheng Jian Xu Ke [2015] No. 80) to the Company, approving qualification of Shou Weiguang as personnel with nature of chairman of board of securities company
5	July 2015	Shanghai Supervision Bureau of CSRC issued "The reply of approval on qualification of Song Shihao as supervisor of securities company" (Hu Zheng Jian Xu Ke [2015] No. 81) to the Company, approving qualification of Song Shihao as supervisor of securities company
6	September 2015	Shanghai Supervision Bureau of CSRC issued "The reply of approval on qualification of Zheng Xiaoyun as supervisor of securities company" (Hu Zheng Jian Xu Ke [2015] No. 110) to the Company, approving qualification of Zheng Xiaoyun as supervisor of securities company



## SECTION XIII INFORMATION DISCLOSURE OF SECURITIES COMPANY

### 5. Other Administrative Permissions

Date	Business qualification	Approval organization	Title of approval document	No. of approval document
19 January 2015	Business Qualification for Options Settlement	China Securities Depository and Clearing Corporation Limited	Reply Letter on Business Qualification for Options Settlement	Zhong Guo Jie Suan Han Zi [2015] No. 20
26 January 2015	Private Placement of New H Shares	Shanghai Finance Services Office	Approval issued by Shanghai Finance Services Office relating to Private Placement of New H Shares by Haitong Securities Co., Ltd.	Hu Jin Rong Ban [2015] No. 11
28 January 2015	Qualification for the Stock Options Market Making Business	CSRC	Approval relating to the Qualification of the Stock Options Market Making Business of Haitong Securities Co., Ltd.	Zheng Jian Xu Ke [2015] No. 153
30 January 2015	Principal Market Maker in SSE 50 ETF Options Contracts	Shanghai Stock Exchange	Notice relating to the Commencement of the SSE 50 ETF Options Market Making Business of Haitong Securities Co., Ltd.	Shang Zheng Han [2015] No. 214
4 May 2015	Issue of Overseas Listed Foreign Shares	CSRC	Reply of Approving Issue of Overseas Listed Foreign Shares by Haitong Securities Co., Ltd.	Zheng Jian Xu Ke [2015] No. 811
4 May 2015	Commencement of Offshore Proprietary Business	CSRC	Reply Regarding Relevant Matters of the Commencement of Offshore Proprietary Business by Haitong Securities	Ji Gou Bu Han [2015] No. 1204
1 June 2015	Innovative Program of One-way Video Account Opening	China Securities Depository and Clearing Corporation Limited	No Comment Letter on Innovative Program of One-way Video Account Opening of Haitong Securities Co., Ltd.	Zhong Guo Jie Suan Ban Zi [2015] No. 461
25 September 2015	Qualification for Interbank Gold Price Asking Transaction	Shanghai Gold Exchange	Reply of Approving Interbank Gold Price Asking Transaction by Haitong Securities Co., Ltd.	Shang Jin Jiao Fa [2015] No. 120

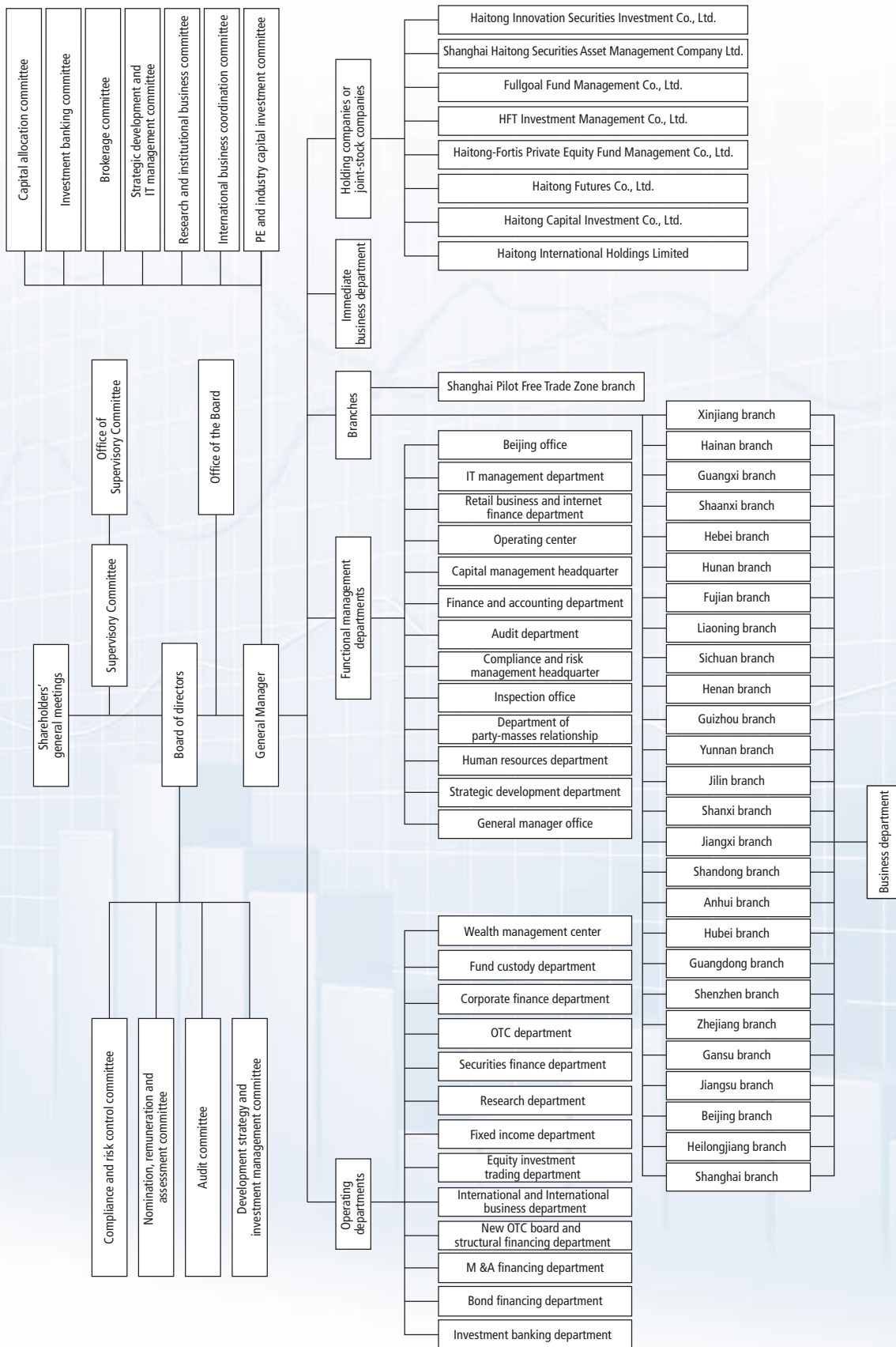
## II. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

In 2015, the Company was rated as a “Grade A, Category AA” company.

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

Shanghai, the PRC  
 30 March 2016

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



## APPENDIX II

### List of branches

No.	Branch	Address	Year of establishment	Person in charge
1	Shanghai branch	20/F, No. 285, Jianguo West Road, Shanghai	2009	Cao Xuesong (曹雪松)
2	Zhejiang branch	No. 138, Jiefang Road, Hangzhou, Zhejiang	2009	Jin Xiaoyang (金曉陽)
3	Jiangsu branch	Room 1218, Suning Global Mansion, No. 188, Guangzhou Road, Nanjing, Jiangsu	2009	Zhao Jianxiang (趙建祥)
4	Shenzhen branch	49/F, Times Wealth Building, No. 88, Fuhua Road 3, Futian District, Shenzhen, Guangdong	2009	Cheng Xiangting (程相霆)
5	Guangdong branch	9F, G.T.Land Plaza South Tower, No. 8, Zhujiang West Road, Guangzhou, Guangdong	2009	Zhang Zhenwen (張鎮文)
6	Beijing branch	Room 608, Fangyuan Building, No. Yi 56, South Avenue, Zhongguancun, Beijing	2009	Li Jiansheng (李建生)
7	Heilongjiang branch	No. 99-9, Changjiang Road, Harbin, Heilongjiang	2009	Wu Hongsong (吳紅松)
8	Gansu branch	10/F, No. 157, Wudu Road, Lanzhou, Gansu	2009	Han Gang (韓鋼)
9	Hubei branch	No. 144, Zhaojiatiao, Erqi Street, Jiang'an Region, Wuhan, Hubei	2009	Tu Huimin (屠惠敏)
10	Anhui branch	6/F, Xingdu Building, No. 262, Huangshan Road, Hefei, Anhui	2010	Ni Yu (倪煜)
11	Jilin branch	4th Building, Xinglan Area (No. 550, Dajing Road), Nangan District, Changchun, Jilin	2011	Meng Qinglu (孟慶錄)
12	Jiangxi branch	Room 4505-4506, Lianfa Square Office, No. 129, Lvyin Road, Honggutan New Area, Nanchang, Jiangxi	2011	Xiao Pingping (肖萍萍)
13	Shanxi branch	No. 92, Xinjian Road, Xinghualing District, Taiyuan, Shanxi	2011	Yang Xiaoping (楊小平)
14	Yunnan branch	No. 162, Dongfeng West Road, Kunming, Yunnan	2011	Zhang Chongde (張崇德)
15	Guizhou branch	14/F, North Tower, Tianheng City Garden, No. 66, Fushui North Road, Guiyang, Guizhou	2011	Wei Wei (魏衛)
16	Henan branch	6/F, Haitong Securities Building, No. 16, Jingqi Road, Zhengzhou, Henan	2011	Sun Xiaodong (孫曉東)
17	Shandong branch	No. 13, Quancheng Road, Jinan, Shandong	2011	Qi Huaijun (齊淮鈞)
18	Sichuan branch	No. 12, Xiaohe Street, Chengdu, Sichuan	2011	Zhong Jian (鐘健)
19	Liaoning branch	No. 364, Daxi Road, Shenyang, Liaoning	2011	Zhang Long (張龍)
20	Fujian branch	3/F, 1st building, Riyuexing Garden, No. 278, Qunzhong Road, Fuzhou, Fujian	2011	Zhan Liangyu (詹亮宇)
21	Guangxi branch	2/F, 3rd building, No. 18, Minzhu Road, Nanning, Guangxi	2012	Lu Xiangyang (盧向陽)

## APPENDIX II

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

## APPENDIX II

### List of business departments

No.	Name of business departments	Address	Person in charge
1	Anqing Huxin North Road Securities Business Department	Room 1-2, 7th building, Cinnamomum Camphora Along A Waterfront, Huxin North Road, Anqing Development Zone	Wang Huaiqi (汪懷其)
2	Bengbu Zhongrong Street Securities Business Department	No. 146, Zhongrong Street, Bengbu, Anhui	Wang Lingwei (王凌巍)
3	Bozhou Xiyi Avenue Securities Business Department	No. 442, Xiyi Avenue, Bozhou	Hou Yundong (侯運動)
4	Chuzhou Tianchang East Road Securities Business Department	No. 549, Tianchang East Road, Chuzhou, Anhui	Wu Kan (吳侃)
5	Fuyang Qinghe East Road Securities Business Department	1st building, Yiqingyuan, Qinghe East Road, Yingzhou District, Fuyang	Cheng Qiu (程球)
6	Hefei Huangshan Road Securities Business Department	No. 262, Huangshan Road, Hefei, Anhui	Chen Jie (陳潔)
7	Huaibei Xiangshan Road Securities Business Department	Room 1017-1018 & 2014-2018, Huiyuan Garden, No. 122, Xiangshan Road, Huaibei	Huang Baohong (黃保宏)
8	Huainan Tianda Road Securities Business Department	Room 101 of 6th building & 1-2/F of 7th building, Paris Spring, Tianda Road, Huainan	Zhao Zhifeng (趙陟峰)
9	Jinzhai Hongjun Avenue Securities Business Department	Hongjun Avenue, Meishan Town, Jinzhai County, Liu'an, Anhui	Qu Yue (曲樂)
10	Ma'anshan Hudong Middle Road Securities Business Department	9-302, Central Garden, Hudong Middle Road, Huashan District, Ma'anshan, Anhui	Wang Shangzhong (王尚鐘)
11	Tongling Changjiang Middle Road Securities Business Department	Room 203, No. 1112, Changjiang Middle Road, Tongguanshan District, Tongling, Anhui	Luo Faqiang (羅法強)
12	Wuhu Wenhua Road Securities Business Department	No. 44, Wenhua Road, Wuhu, Anhui	Xia Siqing (夏斯清)
13	Suzhou Bianhe Road Securities Business Department	Northwest of cross of Bianhe Road and Huaihai Road (4/F, Southwest of the Central Square Building), Yongqiao District, Suzhou, Anhui	Ni Shixu (倪士旭)
14	Xuancheng Jingting Road Securities Business Department	No. 299, Jingting Road, Xuancheng, Anhui	Zhang Haibo (張海波)
15	Hefei Feicui Road Securities Business Department	Room 301, Block 1, E2 Commercial Site, Zhonghuancheng, No. 2666, Shimen Road, Hefei Economic & Technological Development Area, Anhui	Chen Ke (陳可)
16	Beijing Guanghua Road Securities Business Department	Room 302, 3/F, Block C, Grand Pacific Building, No. A8, Guanghua Road, Chaoyang District, Beijing	Bai Rubin (白汝斌)
17	Beijing Workers Stadium North Road Securities Business Department	3/F, 1st building, Switzerland Apartment, No. 66, Workers Stadium North Road, Dongcheng District, Beijing	Ma Hui (馬暉)
18	Beijing Zhongguancun South Street Securities Business Department	No. A56, Zhongguancun South Street, Haidian District, Beijing	Liu Yi (劉毅)
19	Beijing Zhichun Road Securities Business Department	5/F, Satellite Building, No. A63, Zhichun Road, Haidian District, Beijing	Wang Song (王宋)

## APPENDIX II

No.	Name of business departments	Address	Person in charge
20	Beijing Pinggu Jinxiang Road Securities Business Department	No. 1, Jinxiang Road Branch, Pinggu District, Beijing	Xiong Jun (熊軍)
21	Beijing Miyun Drum Tower East Street Securities Business Department	No. 19, Drum Tower East Street, Miyun County, Beijing	Guo Ran (郭冉)
22	Beijing Fuwai Street Securities Business Department	A 2010, No. 2, Fuchengmenwai Street, Xicheng District, Beijing	Meng Xiujuan (孟秀娟)
23	Beijing Liangmaqiao Road Securities Business Department	S109A, Building 1, No. 50, Liangmaqiao Road, Chaoyang District, Beijing	Lin Yi (林鷗)
24	Fuan Yangtou Square North Road Securities Business Department	Office B05, 5/F, 1st Building, Pearl along Riverside, No 6, Yangtou Square North Road, Cheng District, Fu'an	Tang Yongbin (湯永彬)
25	Fuzhou Qunzhong Road Securities Business Department	3/F, Block A, Yuanli Pearl Garden, No. 278, Qunzhong Road, Taijiang District, Fuzhou	Zhan Liangyu (詹亮宇)
26	Quanzhou Tian'an Road Securities Business Department	4/F, Youth Building, Tian'an Road, Quanzhou, Fujian	Lin Yupeng (林毓鵬)
27	Xiamen Lehai Beili Securities Business Department	No. 98-103, Lehai Beili Road, Jimei District, Xiamen, Fujian	Liu Yanxiang (劉雁翔)
28	Sanming Liedong Street Securities Business Department	Room 1701 & 1703, 17/F, Block 11, Mudan Xincun, Meilie District, Sanming, Fujian	Guan Na (管娜)
29	Fuqing Qingchang Avenue Securities Business Department	Room 1206, A2 Office Building, Wanda Plaza, Qingchang Avenue, Fuqing, Fuzhou, Fujian	Xue Li (薛立)
30	Longyan Longteng Middle Road Securities Business Department	Room 03, 2/F, Block 56-61, No. 488 (City Center Garden Phase 3), Longteng Middle Road, Xipi Town, Xinluo District, Longyan, Fujian	Su Weijian (蘇偉建)
31	Cheng County East Street Securities Business Department	No. 34, East Street, Chengguan Town, Cheng County, Longnan City, Gansu	Hao Xuming (郝續鳴)
32	Jiayuguan Xinhua Middle Road Securities Business Department	No. 28, Xinhua Middle Road, Jiayuguan, Gansu	Wang Baolin (王保林)
33	Jinchang Changchun Road Securities Business Department	China Salt Administration Building, Changchun Road, Jinchang	Zhou Youxue (周有學)
34	Lanzhou Donggang East Road Securities Business Department	No. 2070, Donggang East Road, Chengguan District, Lanzhou, Gansu	Yang Junfeng (楊俊峰)
35	Lanzhou Wudu Road Securities Business Department	No. 157, Wudu Road, Chengguan District, Lanzhou, Gansu	Shen Ziqiang (沈自強)
36	Lanzhou Tianshui Road Securities Business Department	No. 376, Dingxi South Road, Chengguan District, Lanzhou, Gansu	Su Yi (蘇藝)
37	Lanzhou Xijin West Road Securities Business Department	No. 9, Xijin West Road, Qilihe District, Lanzhou, Gansu	Xu Yi (徐毅)
38	Lanzhou Wanxin South Road Securities Business Department	No. 744, Wanxin South Road, Anning District, Lanzhou, Gansu	Wang Weida (王維達)
39	Qingyang West Street Securities Business Department	No. 22, West Street, Xifeng District, Qingyang, Gansu	Zhu Weidong (祝唯東)

## APPENDIX II

No.	Name of business departments	Address	Person in charge
40	Tianshui Dazhong Road Securities Business Department	Dazhong Road, Qinzhou District, Tianshui, Gansu (home appliance area in the inner street, 1/F of Lantian City Square)	Zhou Jun (周軍)
41	Wuwei Jianguo Street Securities Business Department	3/F, Post Building, Jianguo Street, Liangzhou District, Wuwei, Gansu	Wu Yong (武勇)
42	Xining Wusi West Road Securities Business Department	2/F, Block 1, No. 22, Wusi West Road, Chengxi District, Xining	Guo Yanfei (郭燕霏)
43	Dongguan Shenghe Road Securities Business Department	A, B & C1, 3/F, Tower B, Shenghe Square, Shenghe Road, Nancheng District, Dongguan, Guangdong	Wang Tie Ping (王鐵平)
44	Foshan Shunde Xinning Road Securities Business Department	Ground Floor, Times Building, No. 60, Xinning Road, Daliang, Shunde District, Foshan, Guangdong	Lin Peigui (林培貴)
45	Guangzhou Dongfeng West Road Securities Business Department	11/F & 12/F, Tower B, No. 195, Dongfeng West Road, Guangzhou	Cai Zhaopeng (蔡昭鵬)
46	Guangzhou Baogang Avenue Securities Business Department	North Side of 6/F, Grandbuy Xinyicheng, No. 498, Baogang Avenue, Haizhu District, Guangzhou, Guangdong	Pan Shuming (潘淑明)
47	Guangzhou Zhujiang West Road Securities Business Department	Room 903-906, 9/F, No. 8, Zhujiang West Road, Tianhe District, Guangzhou, Guangdong	Tian Xiangming (田向明)
48	Huizhou Yanda 1st Road Securities Business Department	Shop F05, 6/F, Tai'anju, 3rd Area, Dashi Lake, West of Yanda 1st Road, Huicheng District, Huizhou	Zhu Weiyong (朱偉英)
49	Jieyang Puning Xinhe East Road Securities Business Department	7th from South of the West-ward Shop, Zhongxin Huafu, Xinhe East Road, Liusha, Puning, Jieyang, Guangdong	Huang Shuolin (黃燦林)
50	Shantou Zhongshan Middle Road Securities Business Department	2F & 3F, Fudu Building, No. 205, Zhongshan Middle Road, Shantou	Zhang Zhenwen (張鎮文)
51	Shaoguan Wenhua Street Securities Business Department	1/F of the Annex of Dageda Building, Wenhua Street, Zhenjiang District, Shaoguan, Guangdong	Deng Ziwei (鄧紫薇)
52	Zhongshan Yuelai South Road Securities Business Department	Gate 8 of 1F & 2F, Tower A1, No. 18, Yuelai South Road, Shiqi District, Zhongshan	Li Xiaoxiang (李曉翔)
53	Zhuhai Jiuzhou Avenue East Securities Business Department	Room F in a Shopping Mall, No. 1159, Jiuzhou Avenue East, Jida, Xiangzhou District, Zhuhai	Wang Zhenghe (王正和)
54	Guangzhou Fenghuang North Road Securities Business Department	Room 418, Yongyu Garden Hotel, No. 41, Fenghuang North Road, Xinhua Town, Huadu District, Guangzhou	Huang Haixiang (黃海翔)
55	Jiangmen Yingbin Avenue West Securities Business Department	Room 108, Oriental Plaza Building, No. 3, Yingbin Avenue West, Jiangmen	Yu Zechen (餘澤琛)
56	Guilin Lijiang Road Securities Business Department	4/F, No. 4, Lijiang Road, Qixing District, Guilin, Guangxi	Zhang Ning (張寧)
57	Nanning Minzhu Road Securities Business Department	1/F & 2/F, Yongzhou Hotel, No. 18, Minzhu Road, Xingning District, Nanning, Guangxi	Lu Xiangyang (盧向陽)
58	Liuzhou Guizhong Avenue Securities Business Department	7th Building, Sunshine 100 City Square, No. 2, Guizhong Avenue (South), Chengzhong District, Liuzhou, Guangxi	Duan Guangjun (段廣軍)
59	Qinzhou Zicai West Street Securities Business Department	Shop 119, 1st Building, No. 69, Zicai West Avenue, Qinzhou	Zhang Lingang (張林剛)
60	Bijie Biyang Avenue Securities Business Department	2-4a# & 2-4b#, 2/F, Yujing Huating (Liucangban Da Lan Community), Hongnan Road, Qixingguan District, Bijie	Zou Yang (鄒楊)

## APPENDIX II

No.	Name of business departments	Address	Person in charge
61	Guiyang Fushui North Road Securities Business Department	3/F, 12/F, 13/F & 14/F, North Tower, Tianheng City Garden, No. 66, Fushui North Road, Yunyan District, Guiyang, Guizhou	Wei Wei (魏衛)
62	Guiyang Changling North Road Securities Business Department	No. 4 & 5, 12/F, 1st Building, Datang Dongyuan Wealth Square, No. 6, Changling North Road, Guanshanhu District, Guiyang	Li Fuhui (李福輝)
63	Liupanshui Qilin Road Securities Business Department	Shop 16, 1/F, Podium Building of Mingdu Business Square, Northeast of the Cross of Zhongshan Middle Road and Qilin Avenue, Zhongshan District, Liupanshui, Guizhou	Yang Xiaoqi (楊曉琪)
64	Zunyi Zhonghua South Road Securities Business Department	3/F Longjinggou Complex, Zhonghua South Road, Zunyi	Huang Zhiyi (黃志義)
65	Haikou Longkun North Road Securities Business Department	AVIC Building, No 15, Longkun North Road, Haikou, Hainan	Xiao Rong (肖蓉)
66	Qinhuangdao Yingbin Road Securities Business Department	No. 100, Yingbin Road, Port Area, Qinhuangdao	Gu Yue (谷悅)
67	Baoding Dongfeng East Road Securities Business Department	Ground Floor, Renhe Yijia Apartment, No. 215 Dongfeng East Road, Beishi District Baoding, Hebei	Liu Tao (劉濤)
68	Shijiazhuang Shifan Street Securities Business Department	No. 2, Shifan Street, Qiaoxi District, Shijiazhuang	Xue Chengbin (薛成彬)
69	Shijiazhuang, Gaocheng Shengli Road Securities Business Department	No. 22, Shengli Road, Gaocheng, Hebei	Ma Xiaoyong (馬驍勇)
70	Cangzhou Shuxi Street Securities Business Department	Room 104, Building 10, Sunshine International, Yunhe District, Cangzhou, Hebei	Yang Haibin (楊海濱)
71	Luoyang Stadium Road Securities Business Department	No. 13, Stadium Road, Luoyang, Henan	Mao Bin (毛贊)
72	Shangqiu Minzhu Road Securities Business Department	Room 1309A & 1310A, Hualian International Trade Building, Minzhu Road, Shangqiu	Tian Dong (田冬)
73	Xuchang Jianshe Road Securities Business Department	3/F, 4/F & 5/F, Tianlun Building of Chunqiu Square, Jianshe Road Xuchang, Henan	Gong Lan (龔嵐)
74	Zhengzhou Jingqi Road Securities Business Department	No. 16, Jingqi Road, Zhengzhou	Dong Yixing (凍逸興)
75	Zhengzhou Hanghai East Road Securities Business Department	Room 2207, 1st Building, Futian Wealth Plaza, No. 1394, Hanghai East Road, Zhengzhou Economic and Technological Development Zone	Sun Shijie (孫世傑)
76	Jiaozuo Tanan Road Securities Business Department	Room 602, 6/F, Huarong International, No. 225, Zhanqian Road, Shanyang District, Jiaozuo	Meng Xinke (孟信可)
77	Daqing Chengfeng Avenue Securities Business Department	No. 126, Chengfeng Avenue, Ranghulu District, Daqing, Heilongjiang	Liu Yaxuan (劉亞軒)
78	Jiagedaqi Renmin Road Securities Business Department	No. 168, Renmin Road, Jiagedaqi District, Daxing Anling Area, Heilongjiang	You Mingzhe (尤明哲)
79	Jiamusi Baowei Road Securities Business Department	Shop No.115, Yifu City Apartment, Baowei Road, Baowei Community, Qianjin District, Jiamusi	Han Min (韓民)
80	Daqing Kunlun Avenue Securities Business Department	No. 184, Kunlun Avenue, Ranghulu District, Daqing, Heilongjiang	Hu Haibin (胡海斌)



## APPENDIX II

No.	Name of business departments	Address	Person in charge
81	Daqing Jinliu Street Securities Business Department	No. 47, Jinliu Street, Sa'ertu District, Daqing	Li Gaoping (李高平)
82	Daqing Jinsan Street Securities Business Department	No. 29, Jinsan Street, Sa'ertu District, Daqing	Zhou Guohong (周國洪)
83	Daqing Honggang South Road Securities Business Department	Half of 2/F (Room 203, 204 & 205) & Room 402, No. 11, South Road, Honggang District, Daqing, Heilongjiang	Wang Xibin (王希斌)
84	Harbin Heping Road Securities Business Department	Heping Building, No. 2, Heping Road, Xiangfang District, Harbin	Zhao Qun (趙群)
85	Harbin Changjiang Road Securities Business Department	No. 99-5, Changjiang Road, Nangang District, Harbin, Heilongjiang	Guo Wei (郭威)
86	Harbin Gogol Avenue Securities Business Department	No. 200, Gogol Avenue, Nangang District, Harbin	Qu Pu (曲譜)
87	Harbin Yiman Street Securities Business Department	No. 80, Yiman Street, Nangang District, Harbin, Heilongjiang	Zhao Jia (趙家)
88	Harbin Tongjiang Street Securities Business Department	No. 218, Tongjiang Street, Daoli District, Harbin	Liu Songtao (劉松濤)
89	Harbin Xidazhi Street Securities Business Department	No. 40, Xidazhi Street, Nangang District, Harbin, Heilongjiang	Zou Qi (鄒祺)
90	Harbin Xinyang Road Securities Business Department	No. 240, Xinyang Road, Daoli District, Harbin	Sun Lei (孫雷)
91	Harbin Zhongshan Road Securities Business Department	No. 111, Zhongshan Road, Nangang District, Harbin, Heilongjiang	Li Yanli (李延立)
92	Harbin Hulan North Erdao Street Securities Business Department	No. 135, North Erdao Street, Hulan District, Harbin	Tian Ran (田然)
93	Harbin Shuangcheng Longhua Street Securities Business Department	Shangfu No. 28, 29, 30, 2/F, Block 11, Century Modern City, Longhua Street, Shuangcheng, Harbin, Heilongjiang	Yao Haitao (姚海濤)
94	Hegang East Jiefang Road Securities Business Department	No. 27, East Jiefang Road, Hegang, Heilongjiang	Hui Pengying (惠鵬鷹)
95	Heihe Zhongyang Street Securities Business Department	No. 258, Zhongyang Street, Heihe, Heilongjiang	Shi Wei (侍偉)
96	Heihe Bei'an Jiaotong Road Securities Business Department	No. 81, Jiaotong Road, Bei'an, Heihe, Heilongjiang	Zhang Chi (張弛)
97	Heihe Nenjiang Nenxing Road Securities Business Department	No. 8, Nenxing Road, Nenjiang County, Heihe, Heilongjiang	Wang Nan (王楠)
98	Jixi Hulin Hongqi Street Securities Business Department	No. 17, Central Community, Hongqi Street, Hulin Town, Hulin, Heilongjiang	He Ming (何明)
99	Jixi Zhongxin Street Securities Business Department	No. 110, Zhongxin Street, Jixi, Heilongjiang	Guo Haifeng (郭海峰)
100	Jixi Mishan Dong'an Street Securities Business Department	No. 75, Dong'an Street, Mishan Town, Mishan, Jixi, Heilongjiang	Wang Yong (王勇)

## APPENDIX II

No.	Name of business departments	Address	Person in charge
101	Daxing Anling Mohe Zhenxing Road Securities Business Department	Post Office Building, Zhenxing Road, Xilinji Town, Mohe County, Heilongjiang	Yin Ziguang (尹子光)
102	Mudanjiang Mudan Street Securities Business Department	No. 1, West Mudan Street, Mudanjiang, Heilongjiang	Bao Xiuyong (包修勇)
103	Mudanjiang Pingan Street Securities Business Department	No. 7, West Pingan Street, Xi'an District, Mudanjiang, Heilongjiang	Liu Wei (劉威)
104	Mudanjiang Dongning Fanrong Street Securities Business Department	No. 75, Fanrong Street, Dongning Town, Dongning County, Heilongjiang	Su Xingli (蘇興利)
105	Mudanjiang Hailin Linhai Road Securities Business Department	2/F, BOC Building, No. 65, Linhai Road, Hailin, Mudanjiang, Heilongjiang	Wang Xiaofei (王曉飛)
106	Mudanjiang Suifenhe Shancheng Road Securities Business Department	No. 101, Shancheng Road, Suifenhe, Mudanjiang, Heilongjiang	Geng Cheng (庚成)
107	Qiqihar Nehe Zhongxin Street Securities Business Department	No. 369, Zhongxin Street, Nehe, Qiqihar, Heilongjiang	Zhang Yandong (張彥東)
108	Qitaihe Datong Street Securities Business Department	No. 98, Datong Street, Taoshan District, Qitaihe, Heilongjiang	Dong Tao (董濤)
109	Qiqihar Pukui Street Securities Business Department	No. 42, Pukui Street, Longsha District, Qiqihar	Wang Hongwei (王宏偉)
110	Qiqihar Heping Road Securities Business Department	No. 81, Heping Road, Fularji District, Qiqihar	Liu Yi (劉義)
111	Qiqihar Anshun Road Securities Business Department	No. 6, Anshun Road, Longsha District, Qiqihar	Tian Yukun (田玉坤)
112	Shuangyashan Wuma Road Securities Business Department	No. 9, Wuma Road, Jianshan District, Shuangyashan, Heilongjiang	Song Junxie (宋俊頡)
113	Suihua Anda Niu Street Securities Business Department	No. 235, Niu Street, Anda, Suihua, Heilongjiang	Wang Xichen (王喜臣)
114	Suihua Kangzhuang Road Securities Business Department	16th Building, Century Ark, Kangzhuang Road, Beilin District, Suihua, Heilongjiang	Cheng Shihai (程世海)
115	Yichun Xinxing Middle Road Securities Business Department	No. 90, Xinxing Middle Road, Yichun District, Yichun, Heilongjiang	Gu Chunming (顧春明)
116	Tianmen Xihu Road Securities Business Department	Part of 4/F, Building 2, Ginza Dijingwan, Tianmen New City (Tianmen CBD), Xihu Road, Jingling Office, Tianmen	Fu Guopeng (付國鵬)
117	Macheng Jingqiao Avenue Securities Business Department	No. 61, Jingqiao Avenue (3 rooms at street level on east of 1/F of the office building of Development and Reform Bureau), Macheng, Hubei	Li Xiaozhong (李小中)
118	Wuhan Zhaojiatiao Securities Business Department	No. 144, Zhaojiatiao, Erqi Street, Jiang'an District, Wuhan	Tu Huimin (屠惠敏)

## APPENDIX II

No.	Name of business departments	Address	Person in charge
119	Wuhan Zhongbei Road Securities Business Department	No. 259, Zhongbei Road, Wuchang District	Zhou Lihua (周麗華)
120	Wuhan Shisheng Road Securities Business Department	6/F, Tower A, No. T1, Shisheng Road, Hanyang District, Wuhan, Hubei	Bai Lili (柏麗麗)
121	Xianning Qianshan Road Securities Business Department	No. 6, Qianshan Road, Xian'an District, Xianning, Hubei	Liu Shihan (劉士漢)
122	Yueyang Balin Middle Road Securities Business Department	Room 703, 7/F, Haichuan Building, No. 450, Balin Middle Road, Yueyanglou District, Yueyang	Hu Ming (胡明)
123	Chenzhou Nanling Avenue Securities Business Department	1/F, Zijin Hotel, No. 63, Nanling Avenue, Beihu District, Chenzhou	Cao Songtao (曹松濤)
124	Changde Langzhou Road Securities Business Department	3/F, Kaili Building, No. 137, Langzhou Road, Wuling District, Changde	Zhang Wenzhong (張文忠)
125	Hengyang Zhengyang South Road Securities Business Department	Room 604-607, 6/F, Office Building, Chongye Commercial Plaza, No. 2, Zhengyang South Road, Yanfeng District, Hengyang	Mo Fang (莫方)
126	Shaoyang Daijia Road Securities Business Department	2/F of the CCB Branch next to Feicui Xingcheng, Daijia Road, Daxiang District, Shaoyang Deng Jiabin (鄧家斌)	
127	Changsha Wuyi Avenue Securities Business Department	5/F, Yinhu Building, No. 618, Wuyi Avenue, Changsha, Hunan	Song Jiaqing (宋家清)
128	Dongfeng Dongfeng Road Securities Business Department	No. 1-4, 2nd Building, Tianxing Mingjun, Dongfeng Road, Dongfeng Town, Dongfeng County, Jilin	Qin Jingbo (秦靖波)
129	Jilin Nanjing Street Securities Business Department	No. 104, Nanjing Street, Jilin, Jilin	Song Baohong (宋寶紅)
130	Liaoyuan Renmin Avenue Securities Business Department	No. 2853, Renmin Avenue, Liaoyuan, Jilin	Li Ying (李穎)
131	Songyuan Wulan Street Securities Business Department	No. 2356, Wulan Street, Ningjiang District, Songyuan, Jilin	Ma Ming (馬鳴)
132	Changchun Dajing Road Securities Business Department	No. 550, Dajing Road, Changchun, Jilin	Li Yong (李勇)
133	Nantong Hai'an Zhongba South Road Securities Business Department	No. 19, Zhongba South Road, Hai'an Town, Hai'an County, Nantong	Zhang Fugui (張富貴)
134	Changshu Haiyu North Road Securities Business Department	No. 20, Haiyu North Road, Changshu, Jiangsu	Su Jiahong (蘇加宏)
135	Changzhou Jianshen Road Securities Business Department	No. 16, Jianshen Road, Changzhou, Jiangsu	Chen Zhiping (陳志平)
136	Changzhou Guangdian West Road Securities Business Department	No. 310, Guangdian West Road, Wujin District, Changzhou, Jiangsu	Zhang Lei (張蕾)
137	Danyang Dongfang Road Securities Business Department	Shop No. 5 & 6, Block 2, Dongfangjiayuan, Dongfang Road, Danyang, Jiangsu	Xue Xiaoyan (薛曉雁)
138	Huai'an Huaihai North Road Securities Business Department	1/F, 4/F & 5/F, No. 50, Huaihai North Road, Huai'an	Tang Daquan (唐大權)

## APPENDIX II

No.	Name of business departments	Address	Person in charge
139	Jiangdu Longchuan South Road Securities Business Department	No. 139, Longchuan South Road, Xiannv Town, Jiangdu District, Yangzhou, Jiangsu	Xing Yi (刑翼)
140	Jiangyin Chaoyang Road Securities Business Department	1/F, No. 55, Chaoyang Road, Jiangyin, Jiangsu	Liang Zhen (梁正)
141	Kunshan Tongfeng Road Securities Business Department	No. 347 & 349, Tongfeng Road, Kunshan Economic & Technological Development Zone	Xu Jianqiang (徐建強)
142	Liyang Yanshan Middle Road Securities Business Department	A1009-A1012, 1/F, Futian Center, No. 28, Yanshan Middle Road, Licheng Town, Liyang	Jiang Yi (姜怡)
143	Lianyungang Lv Yuan South Road Securities Business Department	No. 48-3, Lv Yuan South Road, Lianyungang, Jiangsu	Wang Jianguo (王建國)
144	Nanjing Changfu Street Securities Business Department	3/F, New Metropolitan Plaza, No. 85-7, Changfu Street, Baixia District, Nanjing	Zhang Songjie (張頌傑)
145	Nanjing Guangzhou Road Securities Business Department	16/F, Suning Global Mansion, No. 188, Guangzhou Road, Gulou District, Nanjing, Jiangsu	Qian Jingxing (錢敬星)
146	Nantong Renmin Middle Road Securities Business Department	No. 23-6, Renmin Middle Road, Nantong, Jiangsu	Liao Pengfei (繆鵬飛)
147	Suzhou Nanyuan North Road Securities Business Department	No. 31, Nanyuan North Road, Suzhou	Yue Lan (岳嵐)
148	Taicang Renmin South Road Securities Business Department	Room 107, No. 168, Renmin South Road, Taicang	Huang Yingda (黃穎達)
149	Taixing Dongrun Road Securities Business Department	No. 96, Dongrun Road, Taixing	Tang Fanxing (唐凡興)
150	Taizhou Gulou South Road Securities Business Department	No. 315, Gulou South Road, Taizhou	Qiao Leizhang (喬雷璋)
151	Wuxi Jiefang East Road Securities Business Department	No. 1008, Jiefang East Road, Wuxi, Jiangsu	Wu Guohua (吳國華)
152	Suqian Fazhan Avenue Securities Business Department	No. 64, Fazhan Avenue, Suqian	Tao Ye (陶冶)
153	Xuzhou Zhongshan North Road Securities Business Department	3/F, Longtai Building, No. 12, Zhongshan North Road, Gulou District, Xuzhou, Jiangsu	Yan Xudong (嚴旭東)
154	Yancheng Jianjun Middle Road Securities Business Department	No. 68, Jianjun Middle Road, Yancheng, Jiangsu	Ding Zhendong (丁振東)
155	Yangzhou Wenhe South Road Securities Business Department	No. 69, Wenhe South Road, Yangzhou	Liu Junjie (劉俊傑)
156	Yixing Jiubin South Road Securities Business Department	No. 63, 65 & 67, Jiubin South Road, Yicheng Street, Yixing	Liang Liang (梁樑)
157	Zhangjiagang Donghuan Road Securities Business Department	No. 123, Donghuan Road, Yangshe Town	Shen Fei (沈斐)
158	Zhenjiang Zhongshan West Road Securities Business Department	No. 53, Zhongshan West Road, Runzhou District, Zhenjiang, Jiangsu	Cheng Jian (成劍)
159	Suzhou Lize Road Securities Business Department	Room 102, 4th Building, Zhentai Community, Songling Town, Wujiang District	Wu Min (吳敏)

## APPENDIX II

No.	Name of business departments	Address	Person in charge
160	Yangzhou Baoying Suzhong South Road Securities Business Department	No. 6-1038, Jinqiao Life Plaza, Baoying County	Tang Yi (湯毅)
161	Yancheng Funing Fucheng Street Securities Business Department	No. 296, Fucheng Street, Funing County	Xu Qijun (徐其俊)
162	Yingtian Wuzhou Road Securities Business Department	No. 9, 1st Building, Xihujiayuan, West of Wuzhou Road, Yingtian, Jiangxi	Ai Disheng (艾迪生)
163	Jingdezhen Cidu Avenue Securities Business Department	2/F, No. 1279, Cidu Avenue, Changjiang District, Jingdezhen, Jiangxi	Liang Wei (梁巍)
164	Jiujiang Xunyang East Road Securities Business Department	ICBC Jiujiang Xundong Sub-branch Office Building, No. 93, Xunyang East Road, Xunyang District, Jiujiang, Jiangxi	Hong Haiyan (洪海燕)
165	Fuzhou Gandong Avenue Securities Business Department	No. 1533, South Extension of Gandong Avenue, Fuzhou, Jiangxi	Zhong Jinying (鐘瑾瑛)
166	Ganzhou Hongqi Avenue Securities Business Department	1/F-4/F, 1st Building, No. 25, Hongqi Avenue, Zhanggong District, Ganzhou, Jiangxi	Zhu Farong (朱發榮)
167	Nanchang Square North Road Securities Business Department	No. 97, Square North Road, Nanchang, Jiangxi	Xiao Fangsheng (肖芳生)
168	Pingxiang Park Middle Road Securities Business Department	No. 123, Park Middle Road, Pingxiang	Yu Li (余立)
169	Shangrao Zhongshan West Road Securities Business Department	2-1, No. 65, Zhongshan West Road, Xinzhou District, Shangrao, Jiangxi	Li Yong (李勇)
170	Xinyu Labor South Road Securities Business Department	No. 1, Labor South Road, Xinyu, Jiangxi	Xiao Pingping (肖萍萍)
171	Xinyu Fenyi Fuqian Road Securities Business Department	No. 5, Fuqian Road, Fenyi County, Jiangxi	Lai Wensheng (賴文勝)
172	Yichun Yuanshan Middle Road Securities Business Department	No. 261, Yuanshan Middle Road, Yichun, Jiangxi	Li Guohua (李國華)
173	Yingkou Kunlun Street Securities Business Department	Middle of Kunlun Street (05- Part of Business Building in South of Bank of Communications), Bayuquan District, Yingkou	Yu Wencai (于文才)
174	Dandong Xingwu Road Securities Business Department	1st Building, Bawai, Xingwu Road, Zhenxing District, Dandong	Yang Hongbin (楊洪濱)
175	Anshan Erdao Street Securities Business Department	No. 90, Erdao Street, Tiedong District, Anshan	Liu Na (劉娜)
176	Anshan Xiuyan Securities Business Department	No. 49-19, Fuchang Road, Xiuyan Town, Xiuyan Manchu Autonomous County, Anshan, Liaoning	Wang Shidong (王世東)
177	Dalian Tianjin Street Securities Business Department	No. 91, Tianjin Street, Zhongshan District, Dalian	Wei Chunmin (衛春敏)
178	Panjin Renmin Road Securities Business Department	No. 1-48-6, Caimao Garden, Renmin Road, Xinglongtai District, Panjin, Liaoning	Zhao Hong (趙宏)
179	Shenyang Daxi Road Securities Business Department	No. 364, Daxi Road, Shenhe District, Shenyang	Wang Qun (王群)

## APPENDIX II

No.	Name of business departments	Address	Person in charge
180	Yingkou Liaohe Street Securities Business Department	No. 9, Liaohe Plaza, Zhanqian District, Yingkou, Liaoning	Qiao Wenxuan (喬文選)
181	Hohhot Xinhua East Street Securities Business Department	3/F, Hecheng Information Complex, No. 395, Dongfeng Road, Xincheng District, Hohhot, Inner Mongolia Autonomous Region	Xu Daobin (許道賓)
182	Weifang Dongfeng East Street Securities Business Department	Room 1904, Dongsheng Plaza, No. 8081, Dongfeng East Street, Kuiwen District, Weifang	Li Qun (李群)
183	Linyi Suhe South Street Securities Business Department	No. 49-3, Suhe South Street, Lanshan District, Linyi, Shandong	Yang Lei (楊雷)
184	Dongying Dongsan Road Securities Business Department	Room 109, Building B, No. 171, Dongsan Road, Dongying District, Dongying, Shandong	Chen Ming (陳明)
185	Feicheng Xincheng Road Securities Business Department	No. 039, Xincheng Road, Feicheng, Shandong	Zhang Yong (張勇)
186	Jinan Quancheng Road Securities Business Department	No. 13, Quancheng Road, Jinan, Shandong	Zhang Dong (張東)
187	Jinan Hongjialou South Road Securities Business Department	No. 25, Hongjialou South Road, Jinan, Shandong	Yu Hongquan (于洪泉)
188	Qingdao Hangzhou Road Securities Business Department	No. 20, Hangzhou Road, Qingdao	Li Xiaolin (李小林)
189	Qingdao Zhanshan 1st Road Securities Business Department	No. 25, Zhanshan 1st Road, Qingdao	Cui Ning (崔寧)
190	Qingdao Jiushui East Road Securities Business Department	No. 9, Jiushui East Road, Licang District, Qingdao	Liu Hongshun (劉洪順)
191	Tai'an Daizong Street Securities Business Department	No. 10, Daizong Street, Tai'an	Gao Min (高敏)
192	Weihai Gaoshan Street Securities Business Department	No. 2, Gaoshan Street, Weihai	Liu Changbo (劉昌波)
193	Yantai Jiefang Road Securities Business Department	No. 164, Jiefang Road, Yantai, Shandong	Yang Zhiyi (楊志藝)
194	Zaozhuang Yanshan Road Securities Business Department	Room 22, Building 1, D Area, Yanshan International, Yanshan Road, Xuecheng District, Zaozhuang	Jiao Xuefu (焦學福)
195	Zibo Shihua Securities Business Department	No. 69, Qilu Chemical Mall, Linzi District, Zibo, Shandong	Jiang Shan (姜山)
196	Zibo Tongji Street Securities Business Department	No. 140, Tongji Street, Zichuan District, Zibo, Shandong	Qi Simin (戚思敏)
197	Zibo Huantai Dongyue Road Securities Business Department	2/F & 3/F, North Tower, Qishang Bank Building, No. 1251, Dongyue Road, Huantai County, Zibo, Shandong	Liu Shanshun (劉善順)
198	Liaocheng Dongchang Road Securities Business Department	No. 10, Dongchang Road, Liaocheng Economic & Technological Development Area, Shandong	Chen Wenlong (陳文龍)
199	Jincheng Huanghua Street Securities Business Department	Shop 3, Block 5, Hongxiang Community, Huanghua Street, Jincheng, Shanxi	Du Yuqing (都玉清)
200	Taiyuan Xinjian Road Securities Business Department	No. 92, Xinjian Road, Taiyuan, Shanxi	Yang Xiaoping (楊小平)

## APPENDIX II

No.	Name of business departments	Address	Person in charge
201	Taiyuan Yingze West Street Securities Business Department	No. 386, Yingze West Street, Taiyuan	Wang Gang (王剛)
202	Taiyuan Xinghua Street Securities Business Department	No. 188, Xinghua Street, Taiyuan, Shanxi	Feng Bing (馮冰)
203	Taiyuan Pingyang Road Securities Business Department	No. 105, Pingyang Road, Xiaodian District, Taiyuan, Shanxi	Heng Yufeng (衡宇峰)
204	Datong Yongning Street Securities Business Department	Shop 2, 1st Building, Xinhe Garden, Yongning Street, Cheng District, Datong	Li Wei (李瑋)
205	Baoji Jing'er Road Securities Business Department	No. 45, Jing'er Road, Weibin District, Baoji	Zhang Danni (張丹妮)
206	Hanzhong Tianhan Avenue Securities Business Department	BOC Building, Tianhan Avenue, Hantai District, Hanzhong	Chen Jianfei (陳劍飛)
207	Xi'an Xixin Street Securities Business Department	10/F (No. 11001 & 11002 of 1st Building), Haixing Intelligent Square, No. 11, Xixin Street, Xi'an	He Qian (何倩)
208	Xianyang Shenxing North Road Securities Business Department	3/F, International Commerce Building, No. 1, Shenxing North Road, Xianyang, Shaanxi	Meng Liya (孟立亞)
209	Yulin Yuyang Securities Business Department	No. 01, 3/F, 112 Shangjun North Road, Yuyang District, Yulin, Shaanxi	Zhao Chenguang (趙晨光)
210	Yinchuan Wenhua West Street Securities Business Department	Room B07, 12/F, Block B, Yinchuan International Trade Center, No. 106, Wenhua West Street, Xingqing District, Yinchuan	Wu Wei (武偉)
211	Shanghai Xuanhua Road Securities Business Department	Room 709-711, No. 300, Xuanhua Road, Changning District, Shanghai	Lu Kaiyi (陸凱誼)
212	Shanghai Yuyao Road Securities Business Department	No. 420, Yuyao Road, Jing'an District, Shanghai	Zhu Jiangli (朱江力)
213	Shanghai Huangpu District Fuzhou Road Securities Business Department	No. 536 & 542, Fuzhou Road and Room P04, No. 1, Lane 188, Zhejiang Middle Road, Huangpu District, Shanghai	Du Jun (杜峻)
214	Shanghai Jiading District Fuhai Road Securities Business Department	1/F, No. 758, Fuhai Road, Jiading District, Shanghai	Xu Jun (徐俊)
215	Shanghai Rushan Road Securities Business Department	No. 233, Rushan Road, Shanghai	Gao Yanhua (高燕華)
216	Shanghai Mudanjiang Road Securities Business Department	No. 263-265 Mudanjiang Road, Shanghai	Lu Yan (陸雁)
217	Shanghai Gonghexin Road Securities Business Department	1/F, No. 3703, Gonghexin Road, Zhabei District, Shanghai	Lu Zhiquan (盧志泉)
218	Shanghai Zhongdeqiao Road Securities Business Department	No. 2, Zhongdeqiao Road, Changning District, Shanghai	Mao Jiajun (茅佳俊)
219	Shanghai Zhenhua Road Securities Business Department	1/F, No. 950, Zhenhua Road, Baoshan District, Shanghai	Wang Yuan (王園)
220	Shanghai Gushan Road Securities Business Department	1/F and 2/F, No. 619, Gushan Road, China (Shanghai) Pilot Free Trade Zone	Zhang Yingxia (張穎俠)

## APPENDIX II

No.	Name of business departments	Address	Person in charge
221	Shanghai Pingwu Road Securities Business Department	No. 38, Pingwu Road, Shanghai	Yang Hong (楊紅)
222	Shanghai Putuo District Yichuan Road Securities Business Department	1/F & 2/F, No. 363, Yichuan Road, Putuo District, Shanghai	Zhao Hui (趙輝)
223	Shanghai Jianguo West Road Securities Business Department	3/F, No. 285, Jianguo West Road, Xuhui District, Shanghai	Zhou Jie (周傑)
224	Shanghai Hong Kong Road Securities Business Department	No. 117, Hong Kong Road, Shanghai	Ye Chaolong (葉潮龍)
225	Shanghai Yangpu District Zhengben Road Securities Business Department	No. 141, Zhengben Road, Yangpu District, Shanghai	Gu Jianxue (顧建學)
226	Shanghai Putuo District Macao Road Securities Business Department	4/F, No. 351, Macao Road, Shanghai	Shao Yan (邵豔)
227	Shanghai Zhoujiazui Road Securities Business Department	No. 3255, Zhoujiazui Road, Shanghai	Li Jianxin (李建新)
228	Shanghai Hefei Road Securities Business Department	No. 293, Hefei Road, Shanghai	Wang Yi (王軼)
229	Shanghai Tianping Road Securities Business Department	No. 137, Tianping Road, Shanghai	Yu Youhong (余有紅)
230	Shanghai Yutian Branch Road Securities Business Department	No. 11, Yutian Branch Road, Hongkou District, Shanghai	Lin Jia (林佳)
231	Shanghai Jinshan District Weiqing West Road Securities Business Department	No. 612, Weiqing West Road, Jinshan District, Shanghai	Wang Yajun (王雅君)
232	Shanghai Nanqiao Securities Business Department	No. 381, Nanxing Road, Nanqiao Town, Fengxian District, Shanghai	Zhang Cheng (張成)
233	Shanghai Putuo District Tongchuan Road Securities Business Department	Room 102, 125 & 335-345, No. 1601-1613 (singular), Tongchuan Road, Putuo District, Shanghai	Xu Lan (徐嵐)
234	Shanghai Minhang District Wuzhong Road Securities Business Department	B101 & 4/F, 6th Building, No. 1059, Wuzhong Road, Minhang District, Shanghai	Si Anxiang (司安祥)
235	Shanghai Changning District Tianshan West Road Securities Business Department	1/F & 2/F, No. 169, Tianshan West Road, Changning District, Shanghai	Gu Hongman (谷紅漫)
236	Shanghai Guilin Road Securities Business Department	No. 46, Guilin Road, Shanghai	Wu Hongzhi (吳宏志)
237	Shanghai Putuo District Zaoyang Road Securities Business Department	3/F, 1st Building, No. 182, Zaoyang Road, Putuo District, Shanghai	Yang Na (楊娜)



## APPENDIX II

No.	Name of business departments	Address	Person in charge
238	Shanghai Nanxiang Town Securities Business Department	1/F, No. 681, Deyuan Road and 2/F, No. 3, Lane 685, Deyuan Road, Shanghai	Zhang Feng (張峰)
239	Shanghai Songjiang District Renmin North Road Securities Business Department	No. 5, 6, 7 & 8, Lane 171, Renmin North Road, Songjiang District, Shanghai	Peng Xiaotong (彭霄彤)
240	Shanghai Qingpu District Qinghu Road Securities Business Department	No. 780, Qinghu Road, Qingpu District, Shanghai	Xu Feng (徐鳳)
241	Shanghai Pudong New Area Chengshan Road Securities Business Department	No. 1250, Chengshan Road, Pudong New Area, Shanghai	Zhang Renci (張任慈)
242	Shanghai Chongming County Beimen Road Securities Business Department	No. 408, Beimen Road, Chengqiao Town, Chongming County, Shanghai	Sang Jialei (桑佳磊)
243	Shenzhen Baoyuan Road Securities Business Department	1902F, Tower D, Baoyuan Wealth Harbor Building, Xixiang Street, Bao'an District, Shenzhen	Chen Xiao (陳曉)
244	Shenzhen Haide 3rd Road Securities Business Department	Room 801-805, 806A, 810A, 811 & 812, 8/F, Tiley Central Plaza, East of Houhai Avenue, Nanshan District, Shenzhen	Zeng Yunbei (曾韻蓓)
245	Shenzhen Branch Hongling Middle Road Securities Business Department	3/F, Zhongshen International Building, No. 2068, Hongling Middle Road, Guiyuan Street, Luohu District, Shenzhen	Wang Lei (王磊)
246	Shenzhen Branch Huaifu Road Securities Business Department	Room 500, 5/F (Wings East and West) and Room 1116-1138, 11/F (Wings East and West No.1-3), Nanguang Building West, Huaifu Road intersection, Shennan Middle Road, Futian District, Shenzhen	Nan Yu (南玉)
247	Shenzhen Branch Hongling South Road Securities Business Department	Shop B, 3/F, Podium of Tower 4 & 5, Hongling Building, Hongling South Road, Futian District, Shenzhen	Wan Lanming (萬蘭明)
248	Shenzhen Fuhua 3rd Road Securities Business Department	Unit B, 3/F, Times Wealth Building, No. 88, Fuhua 3rd Road, Futian District, Shenzhen	Gong Mei (龔鎰)
249	Shenzhen Jingtian Road Securities Business Department	2/F, Ruida Court, Jingtian Road, Futian District, Shenzhen	Shen Zhijing (沈志敬)
250	Shenzhen Shennan Avenue Securities Business Department	Room 1208, Tower A, Century Holiday Plaza, No. 9030, Shennan Avenue, Nanshan District, Shenzhen	Liu Chanji (劉嬋吉)
251	Shenzhen Gaoxin South Road Four Securities Business Department	6/F, ZTE R&D Building, No. 13 Gaoxin South Road Four, Nanshan District, Shenzhen	Luo Jianbin (羅建斌)
252	Shenzhen Wanghai Road Securities Business Department	09/F, China Merchants Plaza, Wanghai Road, Shekou, Nanshan District, Shenzhen	Nie Jing (聶靜)
253	Chengdu Renmin West Road Securities Business Department	No. 96, Renmin West Road, Chengdu, Sichuan	Liu Hongzhi (劉宏志)
254	Chengdu Wenjiang District Yangliu East Road Securities Business Department	No. 31, 34 & 83, North Section of Yangliu East Road, Wenjiang District, Chengdu, Sichuan	Xu Jianqiang (徐建強)

## APPENDIX II

No.	Name of business departments	Address	Person in charge
255	Shuangliu Tanghu South Road Securities Business Department	3/F, Tianma Building, No. 244, 2nd Part of Tanghu South Road, Dongsheng Street, Shuangliu County, Chengdu	Lang Yanyan (郎妍妍)
256	Leshan Renmin South Road Securities Business Department	No. 419 & 421, Renmin South Road, Shizhong District, Leshan	Yang Yan (楊焱)
257	Mianyang Changhong Avenue Securities Business Department	No. 21 (2/F, Block 4, Future City), North Section of Changhong Avenue, Fucheng District, Mianyang	Yang Zhou (楊洲)
258	Zigong Dangui Street Securities Business Department	Room 6, No. 508, Dangui Street, Ziliujing District, Zigong	Chen Ling (陳陵)
259	Tianjin Xiaguang Avenue Securities Business Department	8/F, Ningtai Plaza, No. 1, Xiaguang Avenue, Tianjin	Ren Yu (任宇)
260	Urumqi Xinyi Road Securities Business Department	No. 359, Xinyi Road, Urumqi	He Qun (何群)
261	Karamay Junggar Road Securities Business Department	No. 220, Junggar Road (Building 8, New Word Commercial Street), Karamay, Xinjiang	Liu Cengceng (劉層層)
262	Shihezi Beiyi Road Securities Business Department	No. 240, 4th Area, Beiyi Road, Shihezi, Xinjiang	Zhou Jianqiang (周建強)
263	Dali Erhe South Road Securities Business Department	Aa2-11 – Aa2-13, 2/F, Zhongmin City Square, Xiaguan, Dali	Du Shuai (都帥)
264	Mile Ranweng Road Securities Business Department	2/F, No. 618, Ranweng West Road, Mile	Liu Jin (劉晉)
265	Jinghong Galan Middle Road Securities Business Department	No. 100, Galan Middle Road, Jinghong, Yunnan	Gu Jianxin (顧建新)
266	Kunming Dongfeng West Road Securities Business Department	No. 162, Dongfeng West Road, Kunming	Zhang Chongde (張崇德)
267	Jinning Kunyang Street Securities Business Department	Room 13, 2/F, Block 1, Zhenghe Commercial Square, Kunyang Town, Jinning County	Zhang Ling (張凌)
268	Lishui Chengdong Road Securities Business Department	No. 34 & 36-1, Chengdong Road, Liandong District, Lishui, Zhejiang	He Zheng (何嶧)
269	Xinchang Qixing Road Securities Business Department	No. 166, Qixing Road, Xinchang County	Zhang Minhua (張敏華)
270	Hangzhou Jiefang Road Securities Business Department	No. 138, Jiefang Road, Hangzhou	Wang Zheng (汪嶧)
271	Hangzhou Huancheng West Road Securities Business Department	No. 46-2, Huancheng West Road, Hangzhou, Zhejiang	Ma Jie (馬劼)
272	Hangzhou Wenhua Road Securities Business Department	No.208, Wenhua Road, Xiaoshan District, Hangzhou, Zhejiang	Chen Jianrong (陳建榮)
273	Hangzhou Guali Dongling North Road Securities Business Department	No. 160, Dongling North Road, Guali Town, Xiaoshan District	Mu Miao (繆苗)
274	Huzhou Wuxing Shangcheng West Road Securities Business Department	No. 119, Shangcheng West Road, Zhili Town, Huzhou	Wang Hui (王輝)

## APPENDIX II

No.	Name of business departments	Address	Person in charge
275	Huzhou Shaoxi West Road Securities Business Department	1/F & 2/F, No. 265, Shaoxi West Road, Shaoxi Commercial & Residential Building, Wuxing District, Huzhou	Du Haiyan (杜海燕)
276	Jiaxing Zhongshan West Road Securities Business Department	No. 850 & 852, Zhongshan West Road, Jiaxing, Zhejiang	Wang Honglei (王宏雷)
277	Ningbo Baizhang East Road Securities Business Department	3/F, No. 787, Baizhang East Road, Ningbo	Fang Xianming (方賢明)
278	Ningbo Jiefang North Road Securities Business Department	No. 148, Jiefang North Road, Ningbo	Mei Wensheng (梅文勝)
279	Cixi Bei'erhuan East Road Securities Business Department	Room 108, No. 204-206, Bei'erhuan East Road, Gutang Street, Cixi	Cao Jingbo (曹靜波)
280	Shangyu Shimin Avenue Securities Business Department	1-3/F, No. 678, Shimin Avenue, Baiguan County, Shangyu	Pan Wei (潘偉)
281	Shaoxing Laodong Road Securities Business Department	No. 158, Laodong Road, Shaoxing	Chen Qing (陳青)
282	Shengzhou Xiqian Street Securities Business Department	No.89, Xiqian Street, Shengzhou, Zhejiang	Zou Ning (鄒寧)
283	Wenzhou Jinxiu Road Securities Business Department	Room 106, 1st Building, Ruikang Commercial Building, Jinxiu Road, Lucheng District, Wenzhou	Cui Haihong (崔海紅)
284	Yiwu Danxi North Road Securities Business Department	1-3/F, No. 222, Danxi North Road, Beiyuan Street, Yiwu, Zhejiang	Yan Jianting (嚴建庭)
285	Zhoushan Huancheng West Road Securities Business Department	No. 96, Huancheng West Road, Dinghai District, Zhoushan	Qian Hang (錢杭)
286	Zhuji Genta East Road Securities Business Department	No. 24, Genta East Road, Jiyang Street, Zhuji	Chen Xintian (陳新天)
287	Jinhua Bayi South Street Securities Business Department	2/F, A Area, Jinhua Commercial City, No. 288, Bayi South Street, Wucheng District, Jinhua, Zhejiang	Wang Haiqin (汪海琴)
288	Taizhou Shifu Avenue Securities Business Department	No. 251-1 & 251-2, Shifu Avenue, Taizhou	Pan Ran (潘然)
289	Chongqing Longhua Avenue Securities Business Department	Unit 6-2, Building 3, Caixin City International, No. 107-9, Longhua Avenue, Longxi Street, Yubei District, Chongqing	Li Guojing (李國靜)
290	Chongqing Zhongshan 3rd Road Securities Business Department	No. 152, Zhongshan 3rd Road, Shangqingsi, Yuzhong District, Chongqing	Yuan Dengfeng (苑登鋒)

# Deloitte.

## 德勤

TO THE SHAREHOLDERS OF

**HAITONG SECURITIES CO., LTD.**

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

We have audited the consolidated financial statements of Haitong Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 197 to 364, which comprise the consolidated statements of financial position as at 31 December 2015, and the consolidated statement of profit and loss, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

# INDEPENDENT AUDITOR'S REPORT

## Opinion

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

## **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

30 March 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
<b>Revenue</b>			
Commission and fee income	5	21,812,616	9,516,170
Interest income	6	18,322,037	7,699,971
Net investment gains	7	11,057,133	5,708,662
Total revenue		51,191,786	22,924,803
Other income and gains	8	4,093,767	742,063
Total revenue and other income		55,285,553	23,666,866
Depreciation and amortisation	9	(299,962)	(284,304)
Staff costs	10	(7,829,712)	(4,131,308)
Commission to account executives		(1,192,138)	(427,497)
Brokerage transaction fees and other services expenses	11	(2,650,022)	(868,022)
Interest expenses	12	(13,566,443)	(4,340,189)
Other expenses		(9,109,852)	(3,362,486)
Total expenses		(34,648,129)	(13,413,806)
Share of results of associates and joint ventures		481,445	167,334
Profit before income tax	13	21,118,869	10,420,394
Income tax expense	14	(4,277,553)	(2,301,371)
Profit for the year		16,841,316	8,119,023
Attributable to:			
Owners of the Company		15,838,851	7,710,623
Non-controlling interests		1,002,465	408,400
		16,841,316	8,119,023
Earnings per share (Expressed in RMB per share)			
– Basic	15	1.48	0.80
– Diluted	15	1.48	0.80

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit for the year	<b>16,841,316</b>	8,119,023
Other comprehensive income (expense): Items that may be reclassified subsequently to profit or loss:		
Available-for-sale investments		
Net fair value changes during the year	<b>2,410,283</b>	726,056
Reclassification adjustment to profit or loss on disposal/ impairment	<b>(1,702,322)</b>	(508,181)
Income tax relating to components of other comprehensive income	<b>(162,378)</b>	(49,979)
Subtotal	<b>545,583</b>	167,896
Exchange differences arising on translation of foreign operation	<b>70,676</b>	49,672
Share of revaluation gain of associates and joint ventures	<b>79,374</b>	65,459
Other comprehensive income for the year (net of tax)	<b>695,633</b>	283,027
Total comprehensive income for the year	<b>17,536,949</b>	8,402,050
Attributable to:		
Owners of the Company	<b>16,296,407</b>	8,007,081
Non-controlling interests	<b>1,240,542</b>	394,969
	<b>17,536,949</b>	8,402,050

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	NOTES	2015/12/31 RMB'000	2014/12/31 RMB'000
<b>Non-current assets</b>			
Property and equipment	16	1,317,178	1,210,145
Investment properties	17	19,254	20,455
Goodwill	18	3,757,597	2,600,616
Other intangible assets	19	449,286	254,785
Investments accounted for using equity method	23	5,136,607	5,686,141
Finance lease receivables	24	17,472,135	12,826,397
Available-for-sale investments	26	33,445,224	8,714,786
Other loans and receivables	27	4,668,075	4,470,404
Held-to-maturity investments	28	77,747	309,816
Deferred tax assets	54	2,516,143	566,817
Loans and advances	41	5,648,299	–
Financial assets held under resale agreements	33	17,223,078	10,292,634
Financial assets at fair value through profit or loss	35	7,774,533	1,527,382
Deposits with exchanges	36	2,282,857	44,785
Restricted bank deposits	38	710,007	384,473
Other assets	29	184,945	86,448
<b>Total non-current assets</b>		<b>102,682,965</b>	<b>48,996,084</b>
<b>Current assets</b>			
Advances to customers on margin financing	30	76,324,967	64,883,359
Accounts receivable	31	6,263,868	4,384,354
Finance lease receivables	24	9,921,752	7,399,072
Other receivables and prepayments	32	3,154,363	2,453,972
Available-for-sale investments	26	11,045,127	3,990,608
Other loans and receivables	27	13,524,326	3,347,033
Held-to-maturity investments	28	4,986	3,006
Loans and advances	41	1,676,977	–
Financial assets held under resale agreements	33	60,245,770	52,873,455
Placements to banks and other financial institutions	34	184,334	2,000,000
Financial assets at fair value through profit or loss	35	102,665,873	55,630,844
Derivative financial assets	50	3,428,166	642,211
Deposits with exchanges	36	5,275,772	5,495,664
Clearing settlement funds	37	15,747,116	14,818,876
Deposits with central banks	40	834,885	–
Deposits with other banks	42	276,425	–
Bank balances and cash	38	163,191,220	85,703,611
<b>Total current assets</b>		<b>473,765,927</b>	<b>303,626,065</b>
<b>Total assets</b>		<b>576,448,892</b>	<b>352,622,149</b>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	NOTES	2015/12/31 RMB'000	2014/12/31 RMB'000
<b>Current liabilities</b>			
Borrowings	44	31,284,497	19,807,574
Deposits from other banks	42	2,668	–
Short-term financing bills payables	45	22,336,951	22,926,586
Placements from banks and other financial institutions	46	1,512,362	14,270,000
Accounts payable to brokerage clients	47	129,026,336	80,766,843
Customer accounts	43	2,098,115	–
Bonds payable	55	10,793,748	–
Other payables and accruals	48	15,504,612	7,697,576
Provisions	49	60,611	2,493
Tax liabilities		3,895,438	816,775
Financial liabilities at fair value through profit or loss	51	24,837,241	14,781,559
Derivative financial liabilities	50	3,718,116	246,986
Financial assets sold under repurchase agreements	52	90,951,854	59,807,864
<b>Total current liabilities</b>		<b>336,022,549</b>	<b>221,124,256</b>
<b>Net current assets</b>		<b>137,743,378</b>	<b>82,501,809</b>
<b>Total assets less current liabilities</b>		<b>240,426,343</b>	<b>131,497,893</b>
<b>Equity</b>			
Share capital	53	11,501,700	9,584,721
Capital reserve		56,375,749	32,383,596
Investment revaluation reserve		1,054,746	407,434
Translation reserve		(551,301)	(361,545)
General reserves	57	13,993,667	9,792,774
Retained profits	57	25,319,984	16,557,451
<b>Equity attributable to owners of the Company</b>		<b>107,694,545</b>	<b>68,364,431</b>
<b>Non-controlling interests</b>		<b>9,233,126</b>	<b>3,899,772</b>
<b>Total equity</b>		<b>116,927,671</b>	<b>72,264,203</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	NOTES	2015/12/31 RMB'000	2014/12/31 RMB'000
Non-current liabilities			
Deferred tax liabilities	54	665,909	758,197
Bonds payable	55	89,805,660	35,775,667
Long-term borrowings	44	9,330,007	4,537,684
Long-term payables	56	2,336,208	1,941,119
Financial assets sold under repurchase agreements	52	7,624,682	14,910,000
Financial liabilities at fair value through profit or loss	51	6,188,371	1,008,065
Customer accounts	43	721,044	–
Deposits from central banks		433,514	–
Placements from banks and other financial institutions	46	5,747,990	–
Other payables and accruals	48	645,287	302,958
<b>Total non-current liabilities</b>		<b>123,498,672</b>	<b>59,233,690</b>
<b>Total equity and non-current liabilities</b>		<b>240,426,343</b>	<b>131,497,893</b>

The consolidated financial statements on pages 197 to 364 were approved and authorised for issue by the Board of Directors on 30 March 2016 and signed on behalf by:

**WANG Kaiguo**

*Chairman of Board*

**QU Qiuping**

*Executive Director and  
General Manager*

**LI Chuqian**

*Chief Financial Officer*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company						Non-controlling interests			Total equity RMB'000	
	Share capital RMB'000	Capital reserve RMB'000 (Note a)	Investment revaluation reserve RMB'000	Translation reserve RMB'000	General reserves RMB'000 (Note 57)	Retained profits RMB'000	Total RMB'000	Share of net assets of subsidiaries RMB'000	Share option reserve of a subsidiary RMB'000		Total RMB'000
At 1 January 2015	9,584,721	32,383,596	407,434	(361,545)	9,792,774	16,557,451	68,364,431	3,894,370	5,402	3,899,772	72,264,203
Profit for the year	-	-	-	-	-	15,838,851	15,838,851	1,002,465	-	1,002,465	16,841,316
Other comprehensive income (expense) for the year	-	-	647,312	(189,756)	-	-	457,556	238,077	-	238,077	695,633
Total comprehensive income (expense) for the year	-	-	647,312	(189,756)	-	15,838,851	16,296,407	1,240,542	-	1,240,542	17,536,949
Shares issued	1,916,979	24,118,933	-	-	-	-	26,035,912	-	-	-	26,035,912
Changes of equity interests in subsidiaries	-	(126,780)	-	-	-	-	(126,780)	4,629,368	-	4,629,368	4,502,588
Perpetual bond issued by a subsidiary	-	-	-	-	-	-	-	27,065	-	27,065	27,065
Appropriation to general reserves	-	-	-	-	4,200,893	(4,200,893)	-	-	-	-	-
Cash dividend distribution to non-controlling interests	-	-	-	-	-	-	-	(583,036)	-	(583,036)	(583,036)
Share options granted by a subsidiary	-	-	-	-	-	-	-	-	19,415	19,415	19,415
Cash dividend recognised as distribution (Note 61)	-	-	-	-	-	(2,875,425)	(2,875,425)	-	-	-	(2,875,425)
At 31 December 2015	11,501,700	56,375,749	1,054,746	(551,301)	13,993,667	25,319,984	107,694,545	9,208,309	24,817	9,233,126	116,927,671
At 1 January 2014	9,584,721	32,383,071	163,065	(413,634)	8,009,216	11,780,552	61,506,991	2,592,765	5,402	2,598,167	64,105,158
Profit for the year	-	-	-	-	-	7,710,623	7,710,623	408,400	-	408,400	8,119,023
Other comprehensive income (expense) for the year	-	-	244,369	52,089	-	-	296,458	(13,431)	-	(13,431)	283,027
Total comprehensive income (expense) for the year	-	-	244,369	52,089	-	7,710,623	8,007,081	394,969	-	394,969	8,402,050
Changes of equity interests in subsidiaries	-	(3,232)	-	-	-	-	(3,232)	764,288	-	764,288	761,056
Appropriation to general reserves	-	-	-	-	1,783,558	(1,783,558)	-	-	-	-	-
Issuance of convertible bond by a subsidiary (Note b)	-	-	-	-	-	-	-	298,718	-	298,718	298,718
Shares issued under share option scheme	-	3,757	-	-	-	-	3,757	2,000	-	2,000	5,757
Cash dividend recognised as distribution (Note 61)	-	-	-	-	-	(1,150,166)	(1,150,166)	(158,370)	-	(158,370)	(1,308,536)
At 31 December 2014	9,584,721	32,383,596	407,434	(361,545)	9,792,774	16,557,451	68,364,431	3,894,370	5,402	3,899,772	72,264,203

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

**Note b:** The Group's subsidiary, Haitong International Securities Group Limited issued convertible bonds in principal amount of Hong Kong Dollar ("HKD") 776 million at par and further issued convertible bonds in principal amount of HKD232 million at 105% on 18 July 2013 and 10 October 2013. On 4 November 2014, the Company's subsidiary Haitong International Securities Group Limited issued convertible bonds in principal amount of HKD1,164 million. During the year ended 31 December 2015, convertible bonds issued by Haitong International Securities Group Limited in the prior year with the principal amount of HKD681 million (2014:HKD325 million) were converted into ordinary shares of Haitong International Securities Group Limited. During the year ended 31 December 2015, convertible bonds issued by Haitong International Securities in the prior year with the principal amount of HKD1.027 billion(2014: nil) were converted into ordinary shares of Haitong International Securities. Details are set out in Note 55.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit before income tax	21,118,869	10,420,394
Adjustments for		
Interest expenses	13,566,443	4,340,189
Share of results of associates and joint ventures	(481,445)	(167,334)
Depreciation and amortisation	299,962	284,304
Provision for impairment loss in respect of receivables	922,218	423,142
Gain on other bond investments and held-to-maturity investments	(1,012,424)	(525,344)
Losses/(Gains) on disposal of property and equipment and other intangible assets	2,460	(1,023)
Share-based payment of a subsidiary	19,415	-
Foreign exchange (gains)/losses, net	(172,966)	27,316
Net gains arising from available-for-sale investments (Reversal from)/Impairment losses in respect of available-for-sale investments	(2,415,035)	(881,126)
	(168,595)	200
Operating cash flows before movements in working capital	31,678,902	13,920,718
Increase in deposits and reserve funds and deposits with exchanges	(697,608)	(1,805,375)
Decrease in loans and advances	748,369	-
Decrease in customer accounts	641,198	-
Increase in deposit from other banks	(828,705)	-
Increase in advances to customers on margin financing	(11,460,869)	(37,418,063)
Increase in accounts and other receivables and prepayments	(3,943,807)	(3,480,057)
Increase in finance lease receivables	(7,455,567)	(7,797,373)
Increase in financial assets held under resale agreements	(13,621,013)	(54,079,096)
Decrease/(Increase) in placements to banks and other financial institutions	1,815,666	(2,000,000)
Increase in financial assets at fair value through profit or loss	(46,070,402)	(10,202,954)
Increase in restricted bank deposits	(1,463,900)	(68,558)
Increase in cash held on behalf of clients	(50,148,516)	(38,164,631)
Increase in accounts payable to brokerage clients and other payables and accruals	52,231,071	44,283,245
Increase in financial liabilities at fair value through profit or loss	14,732,046	9,528,584
Increase in financial assets sold under repurchase agreements	20,055,168	47,869,071
(Decrease)/increase in placements from other financial institutions	(11,554,535)	13,150,000
Decrease in provisions	(92,257)	(247)
Cash used in operations	(25,434,759)	(26,264,736)
Income taxes paid, net	(2,553,144)	(1,352,783)
Interest paid	(6,001,619)	(1,720,873)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(33,989,522)</b>	<b>(29,338,392)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

<i>NOTES</i>	<b>2015</b>	2014
	<b>RMB'000</b>	<b>RMB'000</b>
<b>INVESTING ACTIVITIES</b>		
Dividends received from associates and other investments	<b>268,638</b>	53,240
Purchases of property and equipment and intangible assets	<b>(339,072)</b>	(248,369)
Proceeds on disposal of property and equipment	<b>55,659</b>	4,683
Capital injection to associates and joint ventures	<b>(922,310)</b>	(3,290,842)
Proceeds on disposal of an associate	<b>112,587</b>	1,287
Increase in available-for-sale investments	<b>(26,015,060)</b>	(1,922,799)
Acquisition of subsidiaries	<b>(2,041,641)</b>	(3,784,038)
Proceed from disposing interest in subsidiary	<b>133,543</b>	–
Increase in other loan and receivables	<b>(7,509,250)</b>	(3,418,331)
Decrease in held-to-maturity investments	<b>290,513</b>	363,633
Payment on other investment activities	<b>–</b>	(52,748)
	<b>(35,966,393)</b>	(12,294,284)
<b>FINANCING ACTIVITIES</b>		
Dividends paid	<b>(3,323,772)</b>	(1,308,536)
Purchase of additional interests in subsidiaries	<b>(639,226)</b>	(19,270)
Proceeds from H shares issued	<b>25,972,690</b>	–
Proceeds from issuance of subsidiaries' shares	<b>3,375,770</b>	646,557
Proceeds on disposal of partial interest in a subsidiary	<b>–</b>	152,725
Proceeds from borrowings raised	<b>23,431,342</b>	18,275,765
Borrowing interest paid	<b>(2,099,643)</b>	(850,361)
Proceeds from issuance of convertible bonds	<b>–</b>	904,471
Convertible bonds issuing cost paid	<b>–</b>	(3,946)
Non-convertible bond and short-term financing bills payables proceeds	<b>189,914,602</b>	61,475,912
Non-convertible bonds issuing cost paid	<b>(105,572)</b>	(48,008)
Bond interest paid	<b>(3,253,944)</b>	(1,114,008)
Proceeds from share issued upon exercise of share options	<b>72,024</b>	–
Purchase of shares held under the share award scheme	<b>(107,253)</b>	–
Repayment of borrowings, short-term bonds, non-convertible bonds and others	<b>(136,135,386)</b>	(32,501,486)
Issuance cost paid for H shares issued	<b>(89,477)</b>	–
Received from/(Payments on) other financing activities	<b>65,765</b>	(36,773)
	<b>97,077,920</b>	45,573,042
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH AND CASH EQUIVALENTS</b>	<b>27,122,005</b>	3,940,366
<b>AT THE BEGINNING OF THE YEAR</b>	<b>24,339,194</b>	20,372,606
Effect of foreign exchange rate changes	<b>283,387</b>	26,222
	<b>51,744,586</b>	24,339,194
<b>CASH AND CASH EQUIVALENTS</b>		
<b>AT THE END OF THE YEAR</b>	<b>51,744,586</b>	24,339,194
	<b>(11,355,206)</b>	(3,689,188)
<b>Total interest paid</b>	<b>(11,355,206)</b>	(3,689,188)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 1. GENERAL INFORMATION OF THE GROUP

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

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

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

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

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied for the first time the following new or revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board, which are applicable for the Group's financial year beginning on 1 January 2015.

IFRS 19 (Revised)  
Amendments to IFRS  
Amendments to IFRS

Defined benefit plans: Employee contributions  
Annual Improvements to IFRSs 2010-2012 Cycle  
Annual Improvements to IFRSs 2011-2013 Cycle

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### **New or revised standards and interpretations that have been issued but not yet effective (for 2015 Dec financial statements)**

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

IFRS 9	Financial Instruments <sup>1</sup>
IFRS 14	Regulatory Deferral Accounts <sup>2</sup>
IFRS 15	Revenue from Contracts with Customers <sup>1</sup>
IFRS 16	Leases <sup>3</sup>
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
Amendments to IAS 1	Disclosure Initiative <sup>4</sup>
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to IFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>4</sup>
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants <sup>4</sup>
Amendments to IAS 27	Equity Method in Separate Financial Statements <sup>4</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception <sup>4</sup>
Amendments to IAS 7	Disclosure Initiative <sup>6</sup>
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for first annual IFRS financial statements beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>5</sup> Effective for annual periods beginning on or after a date to be determined

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2017

Except for the following new and revised IFRSs, directors of the Company are of the view that the application of these new and revised but not yet effective IFRSs is unlikely to have a significant impact on the consolidated financial statements:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

#### ***IFRS 9 Financial instruments***

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

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

#### ***IFRS 9 Financial instruments (continued)***

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

Application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group’s financial assets. Furthermore, the expected credit loss model may result in early recognition of credit losses. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

#### ***IFRS 15 Revenue from contracts with customers***

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

#### ***IFRS 15 Revenue from contracts with customers (continued)***

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

#### ***IFRS 16 Leases***

IFRS 16 Leases was issued by IASB in January 2016. It will be effective for annual periods beginning on or after January 1, 2019. This new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. As the Group does not have material lease commitment as a lessor, the Group will be principally impacted by the new standard due to its role as a lessee.

The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A lessee is required to recognize a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 – Property, Plant and Equipment, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

The directors of the Company do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and Hong Kong Companies Ordinance (“CO”).

The provisions of the new CO regarding preparation of accounts and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO regarding preparation of accounts and directors’ reports and audits. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis (except for financial instruments and property that are measured at fair values or revaluation value) at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Share-based Payment or value in use in IAS 36 Impairment of Assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### **Basis of consolidation (continued)**

When the Group has decision-making rights (a decision maker) over a structured entity, the Group considers the overall relationship with the relevant structured entity and other investors involved with the structured entity, in particular all the factors below, in determining whether the Group is acting as an agent or principal:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreement(s); and
- the Group's exposure to variability of returns from other interests that it holds in the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income and expense of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### ***Changes in the Group's ownership interests in existing subsidiaries***

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### **Basis of consolidation (continued)**

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### **Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### **Business combinations (continued)**

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### **Investments in subsidiaries**

Investments in subsidiaries are stated at cost less accumulated impairment losses, if any.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

### Investments accounted for using equity method

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates or joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or joint venture exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### **Investments accounted for using equity method (continued)**

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### Investments accounted for using equity method (continued)

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

### Property and equipment

Property and equipment including leasehold land (classified as finance lease) and building held for use in the production or supply of goods or services, or for administrative purpose (other than construction in progress), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using straight line method.

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

<b>Classes</b>	<b>Estimated residual value rates</b>	<b>Useful lives</b>
Leasehold land and buildings	3 – 5%	Over the shorter of the lease term and estimated useful life of buildings of 30 – 50 years
Furniture, fixtures and equipment	3 – 10%	5 – 11 years
Motor vehicles	3 – 10%	4 – 8 years
Electronic equipment	3 – 10%	3 – 8 years
Leasehold improvements	0%	Over the lease term ranging from 1 month to 35 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

### Intangible assets

#### Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

The estimated useful lives of each class of intangible assets are as follows:

Computer software	3 – 10 years
Others (car park right, house use right and club membership)	5 – 50 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### **Intangible assets (continued)**

#### ***Intangible assets acquired in a business combination***

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### ***The Group as lessor***

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

#### ***The Group as lessee***

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as finance lease, and accounted for as property and equipment.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Foreign currencies

In preparing the financial statements of each individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity, under the heading of translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Employee benefits

#### Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### Employee benefits (continued)

#### *Contributions to pension schemes and annuity plans*

Payments to defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions.

#### *Long-term employee benefits*

A liability is recognized for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

The liability related to the above supplementary benefit obligations existing at the end of each reporting period, is calculated by independent actuaries using the Projected Unit Credit Method and is recorded as a liability in the consolidated statement of financial position. The liability is determined through discounting the amount of future benefits that the employees are entitled for their services in the current and prior periods. The discount rates are based on the yields of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before income tax' as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### Financial instruments (continued)

#### *Financial assets*

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Financial assets at fair value through profit or loss*

Financial assets at FVTPL include financial assets held for trading and financial assets designated at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### Financial instruments (continued)

#### Financial assets (continued)

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans and advances, advances to customers on margin financing, accounts receivable, amount due from subsidiaries, other loan and receivables, financial assets held under resale agreements, deposits with exchange, clearing settlement funds, deposits with central banks and other banks and placements to banks and other financial institutions, bank balances and cash, restricted bank deposits, deposits and other receivables), are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

##### *Held-to-maturity investments*

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

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

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

##### *Available-for-sale investments*

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale investments are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### Financial instruments (continued)

#### Financial assets (continued)

##### *Available-for-sale investments (continued)*

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

##### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and advances, advances to customers on margin financing and accounts receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment. The group takes into account the amount and nature of the financial assets held by the group in order to determine the individual significant financial assets. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### **Financial instruments (continued)**

#### ***Financial assets (continued)***

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

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and advances, advances to customers on margin financing, accounts receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan and advance, an advance to customer on margin financing, an account receivable or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated under the heading of investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### Financial instruments (continued)

#### *Financial liabilities and equity instruments*

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

#### *Financial liabilities at FVTPL*

Financial liabilities at FVTPL include financial liabilities held for trading, financial liabilities designated at FVTPL.

A financial liability is classified as financial liabilities held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivative, and IAS 39 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### **Financial instruments (continued)**

#### ***Financial liabilities and equity instruments (continued)***

##### *Financial liabilities at FVTPL (continued)*

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in the line item in profit or loss and excludes any interest paid on the financial liabilities.

##### *Other financial liabilities*

Other financial liabilities including deposits from central banks, deposits from other banks, customer accounts, borrowings, short-term financing bills payables, placements from other financial institutions, accounts payable to brokerage clients, bond payables, financial assets sold under repurchase agreements, other payables and amount due to a subsidiary are subsequently measured at amortised cost, using the effective interest method.

##### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) or payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability on initial recognition. When the difference between the effective interest rate and the contract rate is insignificant, interest income or expense will be calculated using the contract interest rate.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses. Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which interest income is included in net gains or losses.

##### ***Derivative financial instruments***

Derivative financial instruments are initially measured at fair value at the date derivative contracts are entered into and are subsequently measured at their fair value at the end of reporting period. Changes in fair value of these derivative financial instruments other than those designed as hedge instrument, under the circumstance the recognising time determined by the nature of hedge relationship, are recognised in profit or loss. Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### **Financial instruments (continued)**

#### ***Derivative financial instruments (continued)***

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

#### ***Financial assets sold under repurchase agreements and financial assets held under resale agreements***

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets, and are recorded as “available-for-sale investments” or “financial assets at FVTPL” as appropriate. The corresponding liability is included in “financial assets sold under repurchase agreements”. Financial assets held under agreements to resell are recorded as “financial assets held under resale agreements”. Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

##### ***(a) Financial assets held under resale agreements***

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under “financial assets held under resale agreements” in the statement of financial position.

##### ***(b) Financial assets sold under repurchase agreements***

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the statement of financial position. The proceeds from selling such assets are presented under “financial assets sold under repurchase agreements” in the statement of financial position.

### ***Hedge accounting***

The Group designates certain derivatives as fair value hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### **Financial instruments (continued)**

#### ***Fair value hedges***

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

#### ***Securities lending***

The Group lends investment securities to clients and the cash collaterals balance required under the securities lending agreements and the interest arisen from these are classified as "accounts payable to brokerage clients". For those securities held by the Group lent to clients that do not result in the derecognition of financial assets, they are included in related financial assets.

#### ***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of transferred financial assets, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control) the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### **Financial instruments (continued)**

#### ***Derecognition (continued)***

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### ***Financial guarantee contracts***

Financial guarantee contract is contract that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument, namely the payment of principal and/or interests. Acceptance includes the honour commitment made by the note sent to customers by the Group. Acceptance is listed as a financial guarantee and credit commitment transaction and is disclosed as contingent liabilities and commitments

The financial guarantee contract issued by the subject of the group should be initially measured by the fair value and subsequently measured by the higher amount of the following two items (other than the financial guarantee contract designated to be measured at fair value and whose movements are included in the profit and loss.)

- According to the amount of contractual obligations according to IAS 37; and
- The cumulative amount of the initial recognition amount less (if appropriate) to be recognised in accordance with the revenue recognition policy.

The financial guarantee contracts issued by the Haitong Bank normally have a stated maturity date and a periodic fee, usually paid in advance on a quarterly basis. This fee varies depending on the counterparty risk, the amount and the term of the contract. Therefore, the fair value of the financial guarantee contracts issued by the Haitong Bank, at the inception date, equal the initial fee received, which is recognised in the income statement over the period to which it relates. The subsequent periodic fees are recognised in the income statement in period to which they relate.

#### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital of the subsidiary at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

If the convertible bond is converted, the convertible bond reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to the subsidiary's share capital and share premium as consideration for the subsidiary's shares issued. If the convertible bond is redeemed, the convertible bond reserve is reclassified to retained profits.

### Revenue recognition

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

- (i) Commission income for broking business is recorded as income on a trade date basis, and handling fee income arising from broking business is recognised when services are rendered;
- (ii) Underwriting and sponsors fees are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed;
- (iii) Interest income from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;
- (iv) Financial advisory and consultancy fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered; and
- (v) Assets management fee income is recognised when management services are provided in accordance with the management contracts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### **Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

### **Share-based payment transactions**

#### ***Share options granted to employees***

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting date, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

When the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium of the issuer. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be remained in the share option reserve.

### **Impairment losses on tangible and intangible assets as well as investments in subsidiaries and associates other than goodwill and financial assets (see the accounting policy in respect of goodwill and financial assets above)**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### **Impairment losses on tangible and intangible assets as well as investments in subsidiaries and associates other than goodwill and financial assets (see the accounting policy in respect of goodwill and financial assets above) (continued)**

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) or in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard in which case the impairment loss is treated as a revaluation decrease under that standard.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group reviewed the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### **Impairment of Loans and Advances and Advances to customers on margin financing**

The Group reviews its advances to customers on margin financing to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is an objective evidence of impairment that will have a measurable decrease in the estimated future cash flows from a portfolio of advances. Moreover, the Group also reviews the value of the securities collateral received from the customers in determining the impairment. The Group reviewed the methodology and assumptions used for estimating both the amount and timing of future cash flows regularly to reduce any differences between loss estimates and actual loss experience. Details of loans and advances and advances to customers on margin financing are set out in Note 30 and 41.

### **Impairment of finance lease receivables**

The Group reviews its finance lease receivables to assess impairment on a regular basis. The impairment loss amount of an individual finance lease receivable is the net decrease in the present value of the estimated future cash flows and the evidence of impairment may include observable data indicating that there is a measurable decrease in the estimated future cash flows of the individual finance lease receivable. The Group periodically reviews its finance lease receivables to assess impairment except that there are known situation demonstrates impairment losses have occurred during that period. The Group makes judgments as to whether there is any observable data indicating that there is an impairment loss should be recorded in the statement of profit or loss from a portfolio of finance lease receivables before the decrease can be identified with an individual finance lease receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Details of finance lease receivables are set out in Note 24.

### **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are set out in Note 20.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### **Impairment of available-for-sale investments**

The determination of whether an available-for-sale investment is impaired requires significant judgment. For listed available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgment is required when determining whether a decline in fair value has been significant or prolonged. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost at initial recognition. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economics or the law, as well as industry and sector performance and the financial information regarding the investee that provides evidence that the cost of the equity securities may not be recovered. Judgment is also required to determine whether historical performance remains representative of current and future economic conditions. Detail of the available-for-sale investments is set out in Note 26.

### **Fair value of available-for-sale investments with restriction on disposal**

For available-for-sale investments which are subject to legally enforceable restriction that prevents the holders from disposing them within the specified period, the fair value of these securities are made based on quoted market rates adjusted for specific features of the instrument. The estimation of fair value of these instruments include some assumptions not supported by observable market prices or rates.

### **Income taxes**

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

No deferred tax asset has been recognised on the tax losses arising from the Group's subsidiaries in Hong Kong due to the unpredictability of future profit streams. The reliability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual profits generated are more than expected, a material deferred tax assets would be recognised in profit or loss for the period. Details of the tax losses are disclosed in Note 14.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

### Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

An investor's initial assessment of control or its status as a principal or an agent would not change simply because of a change in market conditions (e.g. a change in the investee's returns driven by market conditions), unless the change in market conditions changes one or more of the three elements of control listed above or changes the overall relationship between a principal and an agent. At the end of each reporting period, the Group assesses the variable returns arising from other equities and uses plenty of judgments, in combination with historical exposure to variable returns, to determine the consolidation scope.

For collective asset management schemes and investment funds where the Group involves as manager and also as investor, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds together with its remuneration and credit enhancements creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

## 5. COMMISSION AND FEE INCOME

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Commission on securities dealing, broking and handling fee income	<b>15,852,454</b>	5,939,819
Commission on futures and options contracts dealing and broking and handling fee income	<b>479,974</b>	404,187
Financial advisory and consultancy fee income	<b>1,341,075</b>	648,778
Underwriting and sponsors fees	<b>1,644,980</b>	1,309,095
Asset management fee income (including fund management income)	<b>2,465,127</b>	1,202,203
Commission on bullion contracts dealing	<b>1,433</b>	2,582
Others	<b>27,573</b>	9,506
	<b>21,812,616</b>	9,516,170

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 6. INTEREST INCOME

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Bank interest income	3,596,340	1,707,654
Interest income from advances to customers on margin financing	7,963,583	3,093,250
Interest income from loans and advances	145,163	–
Interest income from financial assets held under resale agreements ( <i>Note</i> )	4,529,821	1,457,645
Interest income from finance leases	1,986,670	1,428,656
Other interest income	100,460	12,766
	<b>18,322,037</b>	<b>7,699,971</b>

*Note:* In the current year, interest income from financial assets held under resale agreements includes the interest income from securities repo under “Circular on Promulgating the Measures on the Trading, Registration and Settlement of Agreed Repurchase Securities” issued by Shanghai Stock Exchange, which amount to RMB136,040,000 (2014:RMB236,809,000).

## 7. NET INVESTMENT GAINS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Net gains arising from available-for-sale investments	2,415,035	881,127
Net gains arising from financial assets/liabilities at fair value through profit or loss	9,735,570	1,527,736
Fair value change of financial instruments at fair value through profit or loss	<b>(2,028,068)</b>	2,737,653
Net gains arising from fair value hedge	11,829	36,141
Net gains arising from other loan and receivables and others	922,767	526,005
	<b>11,057,133</b>	<b>5,708,662</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 8. OTHER INCOME AND GAINS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Non-recurring government grants ( <i>Note</i> )	249,573	182,761
Rental income from investment properties	16,196	13,658
Revenue arising from warehouse receipt and others	3,827,998	545,644
	<b>4,093,767</b>	742,063

*Note:* The non-recurring government grants were received unconditionally by the Group and its subsidiaries from the local government where they reside. The main purpose is to subsidise the operation of these entities.

## 9. DEPRECIATION AND AMORTISATION

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Depreciation of property and equipment	231,002	223,288
Depreciation of investment properties	1,201	3,160
Amortisation of other intangible assets	67,256	57,353
Amortisation of prepaid lease payments	503	503
	<b>299,962</b>	284,304

## 10. STAFF COSTS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Staff costs (including directors' remuneration ( <i>Note</i> 62)):		
Salaries, bonus and allowances	7,023,734	3,507,114
Contributions to annuity plans and retirement schemes ( <i>Note</i> )	496,690	374,951
Other social welfare	309,288	249,243
	<b>7,829,712</b>	4,131,308

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 10. STAFF COSTS (continued)

*Note:* The domestic employees of the Group in the PRC participate in a state-managed retirement benefit schemes operated by the respective local government in the PRC. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. Apart from participating in various defined contribution retirement benefit plans organised by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans at fixed rates of the employees' salary and bonus for the period. The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

Share option award of subsidiaries and the other employee benefits are disclosed in Note 64 and Note 65 respectively.

## 11. BROKERAGE TRANSACTION FEES AND OTHER SERVICES EXPENSES

	2015 RMB'000	2014 RMB'000
Securities and futures dealing and broking expenses	2,600,773	797,413
Services expenses for underwriting, sponsorship, and financial advisory, etc.	49,249	70,609
	<b>2,650,022</b>	868,022

## 12. INTEREST EXPENSES

	2015 RMB'000	2014 RMB'000
Interest on borrowings wholly repayable within five years:		
– bank loans and overdrafts	2,050,102	910,337
– deposit taken from banks and other financial institutes	104,485	132,418
– financial assets sold under repurchase agreements ( <i>Note</i> )	5,334,167	1,508,931
– accounts payable to brokerage clients	444,309	130,769
– advances from China Securities Finance Corporation Ltd.	274,353	158,157
– bond payables	5,097,049	1,489,349
– others	261,978	10,228
	<b>13,566,443</b>	4,340,189

*Note:* In the current year, interest expenses from financial assets sold under repurchase agreements includes the interest expenses from bond-pledged repo under Circular on "Promulgating the Measures on the Trading, Registration and Settlement of Pledge Style Repo" issued by Shenzhen Stock Exchange", which amount to RMB24,191,000 (2014: RMB46,294,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 13. PROFIT BEFORE INCOME TAX

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
The Group's profit before income tax is arrived at after charging (crediting):		
Auditors' remuneration	<b>13,693</b>	16,827
Includes: Annual audit fee for the Company	<b>6,004</b>	5,600
Other service fee provided by the Company's auditors (including subsidiaries' audit fee)	<b>6,314</b>	7,728
Others	<b>1,375</b>	3,499
Impairment loss in respect of available-for-sale investments included in other expenses	<b>168,595</b>	200
Impairment loss in respect of accounts receivable and other receivables included in other expenses	<b>(5,141)</b>	10,009
Impairment loss in respect of finance lease receivables included in other expenses	<b>648,708</b>	233,804
Impairment loss in respect of advances to customers on margin financing included in other expenses	<b>19,261</b>	114,107
Impairment loss in respect of financial assets held under resale agreements included in other expenses	<b>79,162</b>	59,321
Impairment loss in respect of factoring receivables and entrusted loan	<b>34,914</b>	-
Losses/(gains) on disposal of property and equipment and other intangible assets	<b>2,460</b>	(1,023)
Foreign exchange (gains)/losses	<b>(172,966)</b>	27,316
Business taxes and surcharges	<b>1,915,068</b>	724,342
Sales expenses	<b>2,879,878</b>	305,662
Operating lease rentals in respect of rented premises	<b>345,089</b>	302,469

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 14. INCOME TAX EXPENSE

	<b>2015</b>	2014
	<b>RMB'000</b>	<i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax and other jurisdictions	<b>5,220,875</b>	1,546,923
Hong Kong Profits Tax	<b>392,524</b>	194,959
	<b>5,613,399</b>	1,741,882
Adjustments in respect of current income tax in relation to prior years:		
PRC Enterprise Income Tax and other jurisdictions	<b>(10,519)</b>	(5,480)
Hong Kong Profits Tax	<b>15,093</b>	1,500
	<b>4,574</b>	(3,980)
Deferred tax:		
Current period	<b>(1,351,355)</b>	563,469
Previous period	<b>10,935</b>	–
	<b>4,277,553</b>	2,301,371

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate is 25% from 1 January 2008.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 14. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit before income tax using the applicable rate to the tax expense at the effective tax rate is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit before income tax	<b>21,118,869</b>	10,420,394
Tax at the statutory tax rate of 25%	<b>5,279,717</b>	2,605,098
Effect of share of results of associates and joint ventures	<b>(120,361)</b>	(41,834)
Tax effect of expenses not deductible for tax purpose	<b>317,613</b>	145,098
Tax effect of income not taxable for tax purpose	<b>(968,667)</b>	(375,373)
Adjustments in respect of income tax in relation to prior years	<b>15,509</b>	(3,980)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(199,742)</b>	(93,198)
Others	<b>(46,516)</b>	65,560
Tax charge	<b>4,277,553</b>	2,301,371

As at 31 December 2015 and 31 December 2014, the Group has tax losses arising from its subsidiaries in Hong Kong that can be carried forward indefinitely for offsetting against future taxable profits of the respective companies in which the losses arose. Deferred tax assets have not been recognised in respect of these tax losses as it is not probable that sufficient future taxable profits will be available in the subsidiaries in which the losses arose against which the unused tax losses can be utilised in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 15. EARNINGS PER SHARE

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	<b>15,838,851</b>	7,710,623
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds (Note i)	<b>8,874</b>	26,575
Adjustment to the share of profit of a listed subsidiary based on dilution of its earnings per share (Notes i, ii)	<b>(45,309)</b>	(54,737)
<b>Earnings for the purpose of diluted earnings per share</b>	<b>15,802,416</b>	7,682,461
Number of shares for basic and diluted earnings per share:		
<b>Number of shares in issue (in thousand)</b>	<b>10,702,959</b>	9,584,721
Basic earnings per share	<b>1.48</b>	0.80
Diluted earnings per share	<b>1.48</b>	0.80

*Notes:*

- (i) On 18 July 2013, 10 October 2013 and 4 November 2014, a listed subsidiary of the Group issued convertible bonds of HKD776 million, HKD232 million, HKD1,164 million respectively, which have been combined legally and constitute a single series (Note 55). In the calculation of the diluted earnings per share, the convertible bonds are assumed to have been converted to the subsidiary's common shares.
- (ii) On 16 January 2015, the management of a subsidiary were granted 85,980,375 of share options on the shares of the subsidiary. As at 31 December 2015, 25% of the stock options were exercisable. These share options created a potential dilutive effect to the basic earnings per share. In the calculation of the diluted earnings per share, the stock options are assumed to have been exercised during the period.

The computation of diluted earnings per share assumed the exercise of a listed subsidiary's outstanding share options with the exercise price lower than the average market price during 2014 and 2015 and with the adjustment for the share options lapsed or exercised during the period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 16. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>							
As at 1 January 2015	1,094,502	680,891	818,426	171,367	143,758	27,943	2,936,887
Arising from acquisition of a subsidiary	4,537	43,087	16,888	-	25,497	2,573	92,582
Additions during the year	3,730	33,206	126,727	18,514	14,188	50,978	247,343
Disposals during the year	(63)	(4,320)	(63,586)	(16,328)	(8,781)	-	(93,078)
Transfer during the year	-	13,034	43,150	-	-	(56,184)	-
Exchange difference	199	3,110	2,565	194	1,536	54	7,658
<b>As at 31 December 2015</b>	<b>1,102,905</b>	<b>769,008</b>	<b>944,170</b>	<b>173,747</b>	<b>176,198</b>	<b>25,364</b>	<b>3,191,392</b>
<b>ACCUMULATED DEPRECIATION</b>							
As at 1 January 2015	327,908	542,042	618,295	108,412	99,703	-	1,696,360
Provided for the year	32,030	66,985	95,455	18,421	18,111	-	231,002
Eliminated on disposals	(32)	-	(63,424)	(15,739)	(7,766)	-	(86,961)
Exchange difference	19	1,292	1,622	139	359	-	3,431
<b>As at 31 December 2015</b>	<b>359,925</b>	<b>610,319</b>	<b>651,948</b>	<b>111,233</b>	<b>110,407</b>	<b>-</b>	<b>1,843,832</b>
<b>ALLOWANCE FOR IMPAIRMENT LOSSES</b>							
As at 1 January 2015 & 31 December 2015	30,382	-	-	-	-	-	30,382
<b>CARRYING VALUES</b>							
As at 31 December 2015	712,598	158,689	292,222	62,514	65,791	25,364	1,317,178

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 16. PROPERTY AND EQUIPMENT (continued)

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>							
As at 1 January 2014	1,012,010	627,474	730,124	165,014	131,255	4,440	2,670,317
Arising from acquisition of a subsidiary	-	3,561	1,818	411	1,362	-	7,152
Additions during the year	-	22,022	84,033	21,370	12,404	56,607	196,436
Net transfer in from investment properties	82,484	-	-	-	-	-	82,484
Disposals during the year	-	-	(3,048)	(15,432)	(1,372)	-	(19,852)
Transfer during the year	-	27,834	5,259	-	11	(33,104)	-
Exchange difference	8	-	240	4	98	-	350
<b>As at 31 December 2014</b>	<b>1,094,502</b>	<b>680,891</b>	<b>818,426</b>	<b>171,367</b>	<b>143,758</b>	<b>27,943</b>	<b>2,936,887</b>
<b>ACCUMULATED DEPRECIATION</b>							
As at 1 January 2014	278,347	467,925	535,430	104,275	82,354	-	1,468,331
Provided for the year	30,275	74,117	82,685	18,879	17,332	-	223,288
Net transfer in from investment properties	19,285	-	-	-	-	-	19,285
Eliminated on disposals	-	-	(41)	(14,745)	(68)	-	(14,854)
Exchange difference	1	-	221	3	85	-	310
<b>As at 31 December 2014</b>	<b>327,908</b>	<b>542,042</b>	<b>618,295</b>	<b>108,412</b>	<b>99,703</b>	<b>-</b>	<b>1,696,360</b>
<b>ALLOWANCE FOR IMPAIRMENT LOSSES</b>							
As at 1 January 2014 & 31 December 2014	30,382	-	-	-	-	-	30,382
<b>CARRYING VALUES</b>							
As at 31 December 2014	736,212	138,849	200,131	62,955	44,055	27,943	1,210,145

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

	<b>2015/12/31</b> <b>RMB'000</b>	2014/12/31 RMB'000
Held in Hong Kong		
medium-term lease (10 – 50 years)	<b>1,378</b>	1,358
Held in areas outside Hong Kong		
long-term lease (over 50 years)	<b>711,220</b>	734,854
	<b>712,598</b>	736,212



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 16. PROPERTY AND EQUIPMENT (continued)

As the lease payments included in the Group's leasehold land and buildings cannot be allocated reliably between the land and buildings, the entire leases are classified as finance leases and accounted for as property and equipment.

As of 31 December 2015 and 31 December 2014, included in leasehold land and buildings, there is a carrying amount of RMB37,664,000 and RMB39,065,000, respectively, for which the Group have yet to obtain the relevant land and building certificates.

## 17. INVESTMENT PROPERTIES

	<b>2015/12/31</b>	2014/12/31
	<b>RMB'000</b>	RMB'000
<b>COST</b>		
At beginning of the year	<b>37,610</b>	120,094
Net transfer out to property and equipment	–	(82,484)
At end of the year	<b>37,610</b>	37,610
<b>ACCUMULATED DEPRECIATION</b>		
At beginning of the year	<b>17,155</b>	33,280
Provided for the year	<b>1,201</b>	3,160
Net transfer out to property and equipment	–	(19,285)
At end of the year	<b>18,356</b>	17,155
<b>CARRYING VALUES</b>		
At end of the year	<b>19,254</b>	20,455

The fair values of the Group's investment properties at 31 December 2015 and 31 December 2014, were RMB94,201,000 and RMB92,444,000 respectively. The fair values have been determined by the directors of the Company by reference to recent market prices for similar properties in the same or similar locations and conditions.

The above investment properties are depreciated over their estimated useful lives of 35 years and after taking into account their estimated residual value of 3%, using the straight-line method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 18. GOODWILL

### Cost and carrying values

	2015/12/31 RMB'000	2014/12/31 RMB'000
At beginning of the year	2,600,616	623,072
Additional amount in respect of business combination(Note 73)	524,224	1,968,860
Original goodwill of the newly acquired subsidiaries	456,510	–
Exchange adjustments	176,247	8,684
At end of the year	<b>3,757,597</b>	2,600,616

Particulars regarding impairment testing on goodwill are disclosed in Note 20.

## 19. OTHER INTANGIBLE ASSETS

	Trading rights RMB'000	Computer software RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>					
As at 1 January 2015	223,434	431,477	50,149	2,366	707,426
Arising from acquisition of a subsidiary	–	66,178	40,349	44,381	150,908
Additions during the year	–	92,665	2,331	14,177	109,173
Disposals during the year	–	(5,499)	(3)	–	(5,502)
Transfer during the year	–	16,144	–	(16,144)	–
Exchange difference	323	14,959	10	940	16,232
As at 31 December 2015	<b>223,757</b>	<b>615,924</b>	<b>92,836</b>	<b>45,720</b>	<b>978,237</b>
<b>ACCUMULATED AMORTISATION</b>					
As at 1 January 2015	118,400	298,510	35,731	–	452,641
Provided for the year	–	61,263	5,993	–	67,256
Eliminated on disposals	–	(1,199)	–	–	(1,199)
Exchange difference	–	10,253	–	–	10,253
As at 31 December 2015	<b>118,400</b>	<b>368,827</b>	<b>41,724</b>	<b>–</b>	<b>528,951</b>
<b>CARRYING VALUES</b>					
As at 31 December 2015	<b>105,357</b>	<b>247,097</b>	<b>51,112</b>	<b>45,720</b>	<b>449,286</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 19. OTHER INTANGIBLE ASSETS (continued)

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

Trading rights mainly comprise the trading rights in the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Exchanges and Clearing Limited and the Hong Kong Futures Exchange Limited which allow the Group to trade securities and futures contracts on or through these exchanges. The Group treats trading rights as intangible assets with infinite useful lives. Details regarding impairment testing on trading right are disclosed in Note 20.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 20. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES

### Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in Note 18 has been allocated into five individual cash generating units (CGUs), including one subsidiary in Shanghai ("Unit A") and one subsidiary in Hong Kong ("Unit B") and one subsidiary which headquarter is in Hong Kong and operates mainly in Shanghai("Unit C") and one subsidiary acquired by the Group during the year which headquarter is in Portugal ("Unit D") and one subsidiary acquired by the Group during the year which headquarter is in Japan ("Unit E").The carrying amounts of goodwill as at 31 December 2015 and 31 December 2014 allocated to these units are as follows:

	<b>2015/12/31</b>	2014/12/31
	<b>RMB'000</b>	<i>RMB'000</i>
Unit A – Haitong Futures Co., Ltd.	<b>5,896</b>	5,896
Unit B – Haitong International Securities Group Limited	<b>657,642</b>	619,248
Unit C – Haitong UT Capital Group Co., Ltd.	<b>2,097,951</b>	1,975,472
Unit D – Haitong Bank S.A. (formerly Banco Espirito Santo de Investment, S.A.)	<b>872,248</b>	–
Unit E – Haitong International Holdings (UK) Limited (formerly "Japaninvest Group plc")	<b>123,860</b>	–
	<b>3,757,597</b>	2,600,616

During the year ended 31 December 2015 and 31 December 2014, management of the Group determined that there are no impairments of any of its CGUs containing goodwill as the recoverable amounts of Unit A, Unit B, Unit C, Unit D and Unit E exceed their respective carrying amounts.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of Unit A, Unit B, Unit C, Unit D and Unit E have been determined on the basis of value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and at a discount rate of 8.0% to 15.22% for Unit A, Unit B, Unit C, Unit D and Unit E, as at 31 December 2015. (31 December 2014: 8.0% to 13%). The discount rates used reflect specific risks relating to the relevant CGUs.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted income and gross margin, such estimation is based on the units' past performance and management's expectations for the market development.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit A, Unit B, Unit C, Unit D or Unit E to exceed their respective aggregate recoverable amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 20. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES (continued)

### Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the two cash generating units relating to brokerage business whereby these trading rights are allocated to, using a value in use calculation, exceed the carrying amounts. Accordingly, there is no impairment of the trading rights as at 31 December 2015 and 31 December 2014.

## 21. PRINCIPAL SUBSIDIARIES

### Investment costs and balances with subsidiaries:

	2015/12/31 RMB'000	2014/12/31 RMB'000
Unlisted shares, at cost	<b>21,266,156</b>	16,111,180

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 21. PRINCIPAL SUBSIDIARIES (continued)

### Details of the principal subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Equity interest held by the Group		Share capital/ registered and paid-up capital	Principal activities
		As at 31 December 2015	As at 31 December 2014		
海富通基金管理有限公司 HFT Investment Management Co., Ltd.* <sup>β</sup>	PRC	51%	51%	RMB150,000,000	Provision of fund trading, distribution and management services
海富產業投資基金管理有限公司 Haitong-Fortis Private Equity Fund Management Co., Ltd.* <sup>β</sup>	PRC	67%	67%	RMB100,000,000	Provision of advisory services and fund management services
海通開元投資有限公司 Haitong Capital Investment Co. Ltd.* <sup>βδ</sup> ("HCICL")	PRC	100%	100%	RMB7,650,000,000	Provision of advisory services and proprietary trading
海通國際控股有限公司 Haitong International Holdings Limited <sup>βπ</sup> ("HTIH")	Hong Kong	100%	100%	HKD8,850,000,000	Investment holding
海通期貨有限公司 Haitong Futures Co., Ltd. <sup>βε</sup>	PRC	66.667%	66.667%	RMB1,300,000,000	Physical commodities and futures contracts broking and dealing
海通國際證券集團有限公司 Haitong International Securities Group Limited <sup>π</sup> ("HISGL")	Bermuda	60.76%	66.52%	HKD528,992,010	Investment holding
海通創新證券投資有限公司 Haitong Chuangxin Securities Investment Company Limited <sup>βΩ</sup>	PRC	100%	100%	RMB3,500,000,000	Financial products investment, investment advisory and investment management services
上海海通證券資產管理有限公司 Shanghai Haitong Securities Asset Management Company Limited* <sup>β</sup>	PRC	100%	100%	RMB1,200,000,000	Securities investment management
海通恒信金融集團有限公司 Haitong UT Capital Group Co., Limited	Hong Kong	100%	100%	HKD4,146,162,881	Finance Leasing
海通銀行 Haitong Bank S.A. ("Haitong Bank") <sup>γ</sup>	Portugal	100%	-	EUR426,629,000	Banking Services

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 21. PRINCIPAL SUBSIDIARIES (continued)

### Details of the principal subsidiaries: (continued)

- \* English translated name is for identification only.
- <sup>α</sup> The subsidiary's shares are listed on the Main Board of the Hong Kong Stock Exchange. On 18 March 2015, HISGL announced a rights issue on the basis of 1 rights share for every 1 existing shares held by shareholders of HISGL at the discounted price of HKD3.50 per share. The rights issue was subsequently completed on 22 May 2015 and 2,533,453,008 rights shares were issued on 26 May 2015. During the year ended 31 December 2015, convertible bonds issued by HISGL in 2013 and 2014 with the principal amount of HKD681 million and HKD1,027 million were converted into ordinary shares of HISGL, totally 364,117,883 shares. As at 31 December 2015, 19,411,009 share options were exercised resulting in issuance of 19,411,009 ordinary shares of HISGL with new share capital of HKD1,944,000 and share premium of HKD84,026,000 (before issuing expenses). At a meeting of the Board held on 25 August 2015, the directors resolved to declare an interim dividend of 188,511,179 shares issued in scrip form with the amount of HK\$711,151,000.
- <sup>β</sup> The subsidiary is directly held by the Company.
- <sup>£</sup> On 10 October 2015, the Company raise the capital to Haitong Futures Co., Ltd in amount of RMB0.67 billion. After the capital increasement, the share capital of Haitong Futures Co., Ltd is RMB1.3 billion.
- <sup>δ</sup> On 25 June 2015 and 9 October 2015, the Company separately raise the capital to HCICL in amount of RMB1.3 billion and RMB0.35 billion. After the capital increasement, the share capital of HCICL is RMB7.65 billion.
- <sup>γ</sup> On 7 September 2015, the wholly-owned subsidiary HTIH acquired 100% shares of Haitong Bank from an independent third party Nova Banco. Details are set out in note 73.
- <sup>π</sup> On 25 September 2015, the convertible bond from the Company amounting to HKD2.85 billion was converted into same amount of ordinary shares of HTIH.
- <sup>Ω</sup> On 21 September 2015, the Company raise the capital to Haitong Chuangxin Securities Investment Company Limited in amount of RMB0.5 billion. After the capital injection, the share capital of Haitong Chuangxin Securities Investment Company Limited is RMB3.5 billion as at 31 December 2015.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 21. PRINCIPAL SUBSIDIARIES (continued)

### Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material Non-controlling interests:

Name of subsidiary	Placement of incorporation	Proportion of ownership interests and voting rights held by non controlling interests		Profit allocated to non controlling interests		Accumulated non controlling interests	
		31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
				RMB'000	RMB'000	RMB'000	RMB'000
HISGL	Bermuda	39.24%	33.48%	830,959	250,225	6,847,566	2,270,373

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

	2015/12/31	2014/12/31
	RMB'000	RMB'000
Current assets	64,986,926	34,654,438
Non-current assets	12,020,974	3,337,521
Current liabilities	47,041,905	25,692,862
Non-current liabilities	12,516,055	5,517,574
Total equity	17,449,940	6,781,523
Non-controlling interests of the subsidiary	6,847,566	2,270,373



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 21. PRINCIPAL SUBSIDIARIES (continued)

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Total income	<b>4,871,946</b>	2,182,815
Total expenses	<b>(2,769,075)</b>	(1,379,533)
Profit for the year	<b>2,102,871</b>	803,282
Other comprehensive income	<b>(59,069)</b>	(22,610)
Total comprehensive income for the year	<b>2,043,802</b>	780,672
Total comprehensive income attributable to the non-controlling interests of the subsidiary	<b>809,465</b>	241,859
Dividends paid to non-controlling interests	<b>447,609</b>	75,641
Net cash outflow from operating activities	<b>(11,684,250)</b>	(5,933,153)
Net cash inflow from financing activities	<b>19,605,574</b>	9,310,672
Net cash outflow from investing activities	<b>(5,265,858)</b>	(1,209,471)
Net cash inflow	<b>2,655,466</b>	2,168,048

## 22. INTEREST IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including asset management products. For the asset management products where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

The financial impact of these asset management products on the Group's financial position as at 31 December 2015 and 31 December 2014, and the results and cash flows for the years ended 31 December 2015 and 31 December 2014, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities directly held by the Group amounted to fair value of RMB2,051,169,000 and RMB1,230,671,000 at 31 December 2015 and 2014, respectively. It contains the interests in the subordinated tranche of those structured products held by the Group. The Group provides credit enhancement to the priority tranche investors by holding such subordinated tranche interests. As at 31 December 2015, the fair value of the Group's interests in the subordinated tranche of those structured products is RMB1,689,783,000.

Interests held by other interest holders are presented as change in net investment gains in the consolidated statement of profit or loss and included in financial liabilities at fair value through profit or loss in the consolidated statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	2015/12/31 RMB'000	2014/12/31 RMB'000
Associates:		
Cost of unlisted investments in associates	3,362,989	3,507,070
Share of post-acquisition profits and other comprehensive income, net of dividends received	712,604	384,736
Joint ventures:		
Cost of unlisted investments in joint ventures	1,063,956	1,779,113
Share of post-acquisition (loss)/profits and other comprehensive income, net of dividends received	(2,942)	15,222
	<b>5,136,607</b>	<b>5,686,141</b>

Details of material investments accounted for using equity method:

Name of entity	Place of establishment	Class of share held	Equity interest held by the Group		Principal activities
			As at 31 December 2015	As at 31 December 2014	
<b>Joint ventures</b>					
Haitong-AC Asian Special Opportunities Fund	Cayman Islands	Participating Management	43.5% 50%	43.6% 50%	Investment holding
New Bridge China Auto Caymans L.P. ("New Bridge")	Cayman Islands	Limited partnership	N/A	38.9%	Investing in securities
Harveston Asset Management Pte. Ltd	Singapore	Ordinary	50%	50%	Fund management
Haitong Special Opportunities Fund I S.P. (Note)	Cayman Islands	Non-participating Management	100% 50%	N/A N/A	Investment holding
Haitong China Select Investment Fund S.P. (Note)	Cayman Islands	Non-participating Management	100% 50%	N/A N/A	Investment holding
Haitong Multi-Tranche Investment Fund II S.P. (Note)	Cayman Islands	Non-participating (Class P)	0.94%	-	Investment holding
		Non-participating (Class R)	99.7%	-	
		Management	50%	-	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Name of entity	Place of establishment	Class of share held	Equity interest held by the Group		Principal activities
			As at 31 December 2015	As at 31 December 2014	
<b>Associates</b>					
富國基金管理有限公司 Fullgoal Fund Management Co. Ltd.*	PRC	Ordinary	27.775%	27.775%	Provision of fund trading distribution services
吉林省現代農業和新興產業投資基金有限公司 Jilin Modern Agricultural and Emerging Markets Investment Fund Limited*	PRC	Ordinary	37.5%	37.5%	Investing in securities
西安航天新能源產業基金投資有限公司 Xi'an Aerospace and New Energy Industry Fund*	PRC	Ordinary	37%	37%	Investing in securities
上海文化產業股權投資基金合夥企業(有限合夥) Shanghai Cultural Industries Investment Fund (Limited Partnership)*	PRC	Ordinary	42.83%	42.83%	Investing in securities
山東華安新材料有限公司 Shandong Hua'an New Material Co.,Ltd*	PRC	Ordinary	21.71%	21.71%	Manufacturing
Trinitus Asset Management Limited	Hong Kong	Ordinary	20%	20%	Investment management services
Diamond Head Capital International, Ltd Class E	Cayman Islands	Ordinary	28.35%	28.35%	Investment holding
上海併購股權投資基金合夥企業(有限合夥) Shanghai Equity Investment Fund Limited Partnership*	PRC	Ordinary	33.68%	37.12%	Investing in securities
海通(吉林)現代服務業創業投資基金合夥企業(有限合夥) Haitong (Jilin) Modern Service Industry Investment Fund Limited Partnership*	PRC	Ordinary	34.71%	34.71%	Investing in securities

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Name of entity	Place of establishment	Class of share held	Equity interest held by the Group		Principal activities
			As at 31 December 2015	As at 31 December 2014	
<b>Associates (continued)</b>					
西安海創之星創業投資有限合夥企業 Xi'an Hai Chuang Zhi Xing Venture Investment Limited Partnership*	PRC	Ordinary	37.9%	37.9%	Investing in securities
Haitong CSI300 Index ETF	Hong Kong	Non-participating	17.5%	31.9%	Investing in securities
海通興泰(安徽)新興產業投資基金(有限合夥) Haitong Xingtai (Anhui) Emerging Industry Investment Fund Limited Partnership*	PRC	Ordinary	28.67%	–	Investing in equity; Investment management services

\* The English translated name is for identification only.

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

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

### Note:

During the current period from 1 January 2015 to 28 June 2015, the directors assessed that the Group's interest in Haitong Special Opportunities Fund I S.P. ("SP1"), Haitong China Select Investment Fund S.P. ("SP3") and Haitong Multi-Tranche Investment Fund II S.P. ("SP6") are consolidated structured entities since the Group is a sole management shareholder of these funds to make all the key financing and operating decisions in these funds, has control over these funds with significant exposure to variability of returns generated from non-participating shares.

On 29 June 2015, Hai Tong Asset Management (HK) Limited, a wholly owned subsidiary of the Group and sole management shareholder of SP1, SP3 and SP6, has entered an agreement to transfer 50% of management shares of SP1, SP3 and SP6 respectively with an external third party so as to introduce a long term strategic business partner to the Group to jointly manage the mentioned investment funds.

Pursuant to the agreement, the management shareholders for SP1, SP3 and SP6 are empowered to make all the key financing and operating decisions in the funds and require unanimous consent of the parties sharing control. The arrangement of sharing of control is contractually agreed by both parties. The non-participating shares in SP1, SP3 and SP6 provide the Group with the share of returns from the Fund but not any decision-making power nor any voting right in daily operation of the Fund.

As such, the directors consider that the interest of the Group in the SP1, SP3 and SP6 are classified as a joint venture after 50% of management shares of SP1, SP3 and SP6 are transferred on 29 June 2015.

With the immediate effect of losing the control, the Group derecognises the assets and liabilities of SP1, SP3 and SP6 (former subsidiaries) from the consolidated statement of financial position and the fair value for SP1, SP3 and SP6 of RMB95 million, RMB350 million and RMB116 million are recognised as the cost on initial recognition of investment in joint ventures respectively. No gain or loss is derived from the loss of control by the above-mentioned transfer of management shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

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

### Fullgoal Fund Management Co., Ltd

	2015/12/31 <i>RMB'000</i>	2014/12/31 <i>RMB'000</i>
Total assets	4,619,040	2,208,486
Total liabilities	2,098,449	692,980
Net assets	2,520,591	1,515,506
Total revenue	3,339,163	1,242,924
Net profit	1,167,004	383,838
Total comprehensive income	1,203,085	417,884

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

	2015/12/31 <i>RMB'000</i>	2014/12/31 <i>RMB'000</i>
Equity attributable to equity holders of the associate	2,520,591	1,515,506
Proportion of equity interests held by the Group	27.775%	27.775%
Other adjustments	-	-
Carrying amount	700,094	420,932

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

### Fullgoal Fund Management Co., Ltd (continued)

Aggregate information of associates and joint ventures that are not individually material:

	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
The Group's share of profit	<b>157,310</b>	60,723
The Group's share of other comprehensive income	<b>69,353</b>	56,002
The Group's share of total comprehensive income	<b>226,663</b>	116,725
Aggregate carrying amount of the Group's interests in these associates and joint ventures	<b>4,436,513</b>	5,265,209

## 24. FINANCE LEASE RECEIVABLES

	<b>2015/12/31</b>	2014/12/31
	<b>RMB'000</b>	RMB'000
Minimum lease payments to be received	<b>31,779,770</b>	23,962,578
Less: unrealized finance income	<b>(3,578,301)</b>	(3,411,212)
Balance of finance lease receivables	<b>28,201,469</b>	20,551,366
Less: Allowance for impairment	<b>(807,582)</b>	(325,897)
Finance lease receivables, net	<b>27,393,887</b>	20,225,469
Analysis by statement purpose:		
Current assets	<b>9,921,752</b>	7,399,072
Non-current assets	<b>17,472,135</b>	12,826,397
	<b>27,393,887</b>	20,225,469

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 24. FINANCE LEASE RECEIVABLES (continued)

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

	2015/12/31		2014/12/31	
	Minimum lease payments <i>RMB'000</i>	Present Value <i>RMB'000</i>	Minimum lease payments <i>RMB'000</i>	Present Value <i>RMB'000</i>
Within 1 year	<b>11,560,347</b>	<b>10,258,688</b>	8,797,021	7,544,713
1~2 years	<b>8,583,385</b>	<b>7,616,923</b>	6,521,894	5,593,465
2~3 years	<b>6,468,544</b>	<b>5,740,207</b>	4,433,903	3,802,712
Over 3 years	<b>5,167,494</b>	<b>4,585,651</b>	4,209,760	3,610,476
<b>Total</b>	<b>31,779,770</b>	<b>28,201,469</b>	23,962,578	20,551,366
Unrealized finance income	<b>(3,578,301)</b>	<b>N/A</b>	(3,411,212)	N/A
Balance of finance lease receivables	<b>28,201,469</b>	<b>28,201,469</b>	20,551,366	20,551,366
Allowance for impairment	<b>(807,582)</b>	<b>(807,582)</b>	(325,897)	(325,897)
<b>Finance lease receivables, net</b>	<b>27,393,887</b>	<b>27,393,887</b>	20,225,469	20,225,469

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 24. FINANCE LEASE RECEIVABLES (continued)

### Analysis by industries

	2015/12/31		2014/12/31	
	Carrying amount RMB'000	Percentage (%)	Carrying amount RMB'000	Percentage (%)
Public service	13,516,248	42.53	10,416,174	43.47
Industrial equipment	6,507,240	20.48	2,592,763	10.82
Healthcare	5,033,923	15.84	5,524,151	23.05
Motor vehicles	1,825,687	5.74	962,798	4.02
Printing & packaging	1,563,042	4.92	2,211,345	9.23
Agricultural and forestry machinery	947,483	2.98	865,660	3.61
Electronics	759,626	2.39	526,523	2.20
Energy saving and environmental protection	611,620	1.92	292,818	1.22
Building construction	402,654	1.27	–	–
Others	612,247	1.93	570,346	2.38
<b>Total</b>	<b>31,779,770</b>	<b>100.00</b>	<b>23,962,578</b>	<b>100.00</b>
Unrealized finance income	(3,578,301)		(3,411,212)	
Balance of finance lease receivables	28,201,469		20,551,366	
Allowance for impairment	(807,582)		(325,897)	
<b>Finance lease receivables, net</b>	<b>27,393,887</b>		<b>20,225,469</b>	

Allowance for impairment:

	2015/12/31			2014/12/31		
	Individual assessment RMB 000	Collective assessment RMB 000	Total RMB 000	Individual assessment RMB 000	Collective assessment RMB 000	Total RMB 000
As at the beginning of the year	56,299	269,598	325,897	–	–	–
Addition during the year	235,800	412,908	648,708	174,890	269,598	444,488
Recoveries of amount written-off in previous years	21,143	–	21,143	13,281	–	13,281
Written off during the year	(187,671)	(495)	(188,166)	(131,872)	–	(131,872)
As at the end of the year	125,571	682,011	807,582	56,299	269,598	325,897



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 25. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Structured entities the Group served as general partner or manager, therefore has power over them during the year include private equity funds and asset management products. Except for the structured entities the Group has consolidated as details in Note 22, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group has interest in are not significant. The Group therefore did not consolidate these structured entities.

The net assets of unconsolidated asset management plans managed by the Group amounted to RMB34,000,000,000 and RMB10,250,000,000 as at 31 December 2015 and 31 December 2014, respectively. The Group classified the investments in unconsolidated funds and asset management products as available-for-sale financial investments as appropriate. At the end of 2015, the carrying amount of the Group's interest in unconsolidated management plans is RMB5,203,000,000, which approximates the maximum risk exposure of the Group, and assets management fee income is RMB940,000,000.

## 26. AVAILABLE-FOR-SALE INVESTMENTS

	2015/12/31 RMB'000	2014/12/31 RMB'000
Debt securities (Note iv)	4,139,703	1,814,512
Equity securities	8,283,949	4,730,988
Funds	5,778,489	930,017
Others (Note iii)	26,288,210	5,229,877
	<b>44,490,351</b>	12,705,394
Analysed as:		
Listed in Hong Kong	6,204	–
Listed outside Hong Kong (primarily in the PRC)	6,843,896	2,934,366
Unlisted	37,640,251	9,771,028
	<b>44,490,351</b>	12,705,394
Analysed as:		
Listed equity securities (Note ii)	3,786,437	1,492,524
Unlisted equity securities (Note i)	4,497,512	3,238,464
	<b>8,283,949</b>	4,730,988
Analysed for reporting purpose as:		
Current assets	11,045,127	3,990,608
Non-current assets	33,445,224	8,714,786
	<b>44,490,351</b>	12,705,394

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 26. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

- (i) The equity interest in unlisted securities held by the Group are issued by private companies (including companies in banking, manufacturing, real estate and public utilities). As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value is close to the book value, these equity securities are measured at cost less impairment at the reporting date.
- (ii) Included in the Group's listed equity securities are amounts of approximately RMB3,252,221,000 and RMB588,601,000 as at 31 December 2015 and 31 December 2014, respectively, which are restricted shares listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.
- (iii) Except for the investment described below, others comprise of structured products and trust products where funds are mainly invested in listed securities or open-ended funds and the Group's return of investment is tied to the result of such investments.

On 28 November 2014, the Group entered into a subscription agreement to acquire a HKD2,100,000,000 fixed rate bond bearing interest at 26% per annum due on 27 November 2017 issued by a third party company (the "Company A"). On 5 December 2014, the Group further entered into another subscription agreement to acquire preference shares issued by Company A for a subscription price of HKD500,000,000 with maturity date on 5 December 2017 (the "Maturity Date"). The preference shares is non-interest bearing and the holder of preference shareholder is entitled to the dividend distribution by Company A. Pursuant to the Shareholder Deed of Company A dated 5 December 2014, the ordinary shareholder who is also a third party to the Group, agrees to buy, all the preference shares held by the Group, on the Maturity Date. The sale price of the preference share held by the Group shall be equivalent to the subscription price of HKD500,000,000 of all the preference shares.

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

As at 31 December 2015, balance of available-for-sale financial assets included the Group's investments made to the designated accounts managed by China Securities Finance Co., Ltd. (the "CSFC"). According to the corresponding agreements with CSFC, the Group made investments to such accounts amounting to RMB15 billion and RMB 4.457 billion on 6 July 2015 and 1 September 2015, respectively. CSFC executes unified operation and investment management over these accounts, while all the investors including the Group share investment risks as well as potential income in proportion to their contributions.

- (iv) As at 25 September 2015, HTIH issued 2.85 billion common shares with book value of HKD1 per share to the Group. The conversion price of the convertible bond was HKD1 for one share. The Group no longer holds the convertible bond.

In the opinion of the directors of the Company, non-current available-for sale investments are expected to be realised or restricted for sale beyond one year from the end of the respective reporting periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 26. AVAILABLE-FOR-SALE INVESTMENTS (continued)

As at 31 December 2015 and 31 December 2014, the Company has entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale investments with total fair value of RMB12,262,000 and RMB233,826,000 to external clients. Since the arrangement will be settled by the securities with the same quantity lent, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.

RMB12,528,548,000 and RMB6,049,313,000 cash collateral was received from clients for securities lending arrangement and margin financing activities carried out in the PRC, and reported under accounts payable to brokerage clients (Note 47).

## 27. OTHER LOANS AND RECEIVABLES

	2015/12/31 RMB'000	2014/12/31 RMB'000
Trust products (Note)	2,425,390	2,316,600
Structured products (Note)	10,270,891	4,861,063
Debt investment	3,448,861	639,774
Factoring receivable	1,145,727	-
Entrusted loan	901,532	-
	<b>18,192,401</b>	<b>7,817,437</b>
Analysed for reporting purpose as:		
Current assets	13,524,326	3,347,033
Non-current assets	4,668,075	4,470,404
	<b>18,192,401</b>	<b>7,817,437</b>

Note: The above products mainly comprise fixed-yield structured products and trust products with fixed maturity, which are recoverable in determinable amounts by principal and interest according to the relevant agreement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 28. HELD-TO-MATURITY INVESTMENTS

	2015/12/31 RMB'000	2014/12/31 RMB'000
Debt securities listed in Hong Kong	82,733	312,822
Analysed for reporting purpose as:		
Current assets	4,986	3,006
Non-current assets	77,747	309,816
	<b>82,733</b>	<b>312,822</b>

As at 31 December 2015, the fair value of the held-to-maturity investments was approximately RMB81,987,000 (2014: RMB314,734,000). The related interest rates on such bonds for the year ended 31 December 2015 ranged between 4.1% – 9.75% per annum (2014: between 4.1% – 11.75% per annum).

## 29. OTHER ASSETS

	2015/12/31 RMB'000	2014/12/31 RMB'000
Foreclosed assets	52,765	33,485
Prepaid lease payments	15,004	15,508
Others	117,176	37,455
	<b>184,945</b>	<b>86,448</b>

## 30. ADVANCES TO CUSTOMERS ON MARGIN FINANCING

	2015/12/31 RMB'000	2014/12/31 RMB'000
Loans to margin clients (Note)	76,459,449	63,563,468
Other advances to customers	–	1,435,112
Less: Allowance for doubtful debts (Note)	(134,482)	(115,221)
	<b>76,324,967</b>	<b>64,883,359</b>
Analysed for reporting purpose as:		
Current	76,324,967	64,883,359
Non-current	–	–
	<b>76,324,967</b>	<b>64,883,359</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 30. ADVANCES TO CUSTOMERS ON MARGIN FINANCING (continued)

Movements in the allowance for doubtful debts are as follows:

	2015/12/31 RMB'000	2014/12/31 RMB'000
At beginning of the year	115,221	1,114
Provision of impairment allowance, net	19,261	114,107
At end of the year	<b>134,482</b>	115,221

Note:

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

The majority of the loans to margin clients which are secured by the underlying pledged securities are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make up the shortfall.

Loans to margin clients as at 31 December 2015 and 31 December 2014 were secured by the customers' securities to the Group as collateral with undiscounted market value of approximately RMB281,073,316,000 and RMB173,687,256,000, respectively.

As at 31 December 2015 and 31 December 2014, included in the Group's accounts payable to brokerage clients were approximately RMB12,528,548,000 and RMB6,049,313,000 cash collateral received from clients for securities lending and margin financing arrangement.

The Group determines the allowance for impaired debts based on the evaluation of collectability and ageing analysis of accounts and on management's judgment including the assessment of change in credit quality, collateral and the past collection history of each client. The concentration of credit risk is limited due to the customer base being large and unrelated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 31. ACCOUNTS RECEIVABLE

	2015/12/31 RMB'000	2014/12/31 RMB'000
Accounts receivable from:		
– Cash clients	855,720	97,432
– Brokers, dealers and clearing house	4,667,907	3,194,489
– Advisory and financial planning	7,419	7,099
– Asset and fund management	491,511	318,937
– Clients for subscription of new shares in IPO (Note)	–	688,524
– Others	248,378	115,188
	<b>6,270,935</b>	4,421,669
Less: allowance for doubtful debts on accounts receivable	<b>(7,067)</b>	(37,315)
	<b>6,263,868</b>	4,384,354

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

	2015/12/31 RMB'000	2014/12/31 RMB'000
At beginning of the year	37,315	122
Addition during the year	4,267	37,193
Recoveries of other receivables previously written off	<b>(34,515)</b>	–
At end of the year	<b>7,067</b>	37,315

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

	2015/12/31 RMB'000	2014/12/31 RMB'000
Between 0 and 3 months	5,253,075	4,230,641
Between 4 and 6 months	38,512	66,605
Between 7 and 12 months	469,788	60,034
Over 1 year	502,493	27,074
	<b>6,263,868</b>	4,384,354

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 32. OTHER RECEIVABLES AND PREPAYMENTS

	2015/12/31 RMB'000	2014/12/31 RMB'000
Interest receivable	2,292,693	1,621,413
Dividend receivable	22	–
Expenses for underwriting business to be settled by clients	–	320
Other receivables and prepayments (Note ii)	1,344,835	1,318,266
	<b>3,637,550</b>	2,939,999
Less: allowance for doubtful debts on other receivables (Note i)	<b>(483,187)</b>	(486,027)
	<b>3,154,363</b>	2,453,972

Movements in the allowance for doubtful debts are as follows:

	2015/12/31 RMB'000	2014/12/31 RMB'000
At beginning of the year	486,027	497,857
Reversal of impairment allowance, net	(9,408)	(21,360)
Recoveries of other receivables previously written off	6,568	9,557
Amounts written off during the year	–	(27)
At end of the year	<b>483,187</b>	486,027

Notes:

- (i) Included in the allowance for doubtful debts of the Group mainly represents a gross receivable of RMB550,000,000 from an independent third party. In the opinion of the directors of the Company, the recoverability of the receivable is remote and a full provision was made in prior year. As of 31 December 2015, accumulated amounts of RMB87,088,000 (2014: RMB87,088,000) of the above receivable has been recovered. In 2015, amounts of RMB0 (2014: RMB21,983,000) of the above receivable were recovered.
- (ii) The remaining other receivables and prepayments mainly represent short-term rental deposits placed with landlords under operating leases and other prepaid expenses for daily operation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 33. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	<b>2015/12/31</b>	2014/12/31
	<b>RMB'000</b>	<i>RMB'000</i>
Analysed by collateral type:		
Stock (Note)	<b>50,798,437</b>	39,366,954
Bonds	<b>9,137,971</b>	12,703,535
Fund	<b>923</b>	53,921
Structured products	<b>17,670,000</b>	11,101,000
Less: Allowance for doubtful debts	<b>(138,483)</b>	(59,321)
	<b>77,468,848</b>	63,166,089
Analysed by market:		
Stock Exchange	<b>50,857,926</b>	44,092,885
Inter-bank	<b>9,079,405</b>	8,031,525
Over the counter ("OTC")	<b>17,670,000</b>	11,101,000
Less: Allowance for doubtful debts	<b>(138,483)</b>	(59,321)
	<b>77,468,848</b>	63,166,089
Analysed for reporting purpose as:		
Current	<b>60,245,770</b>	52,873,455
Non-current	<b>17,223,078</b>	10,292,634
	<b>77,468,848</b>	63,166,089

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

As of 31 December 2015, for the Group, the fair value of these agreements within one year was RMB34,332,913,000 (2014: RMB30,248,250,000), the fair value of these agreements beyond one year was RMB16,465,524,000 (2014: RMB9,118,704,000);

As of 31 December 2015, the fair value of the collateral was RMB215,037,612,000 (2014: RMB130,374,519,000).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 34. PLACEMENTS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2015/12/31 RMB'000	2014/12/31 RMB'000
Domestic bank and other financial institutions	–	2,000,000
Oversea bank and other financial institutions	<b>184,334</b>	–

## 35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015/12/31 RMB'000	2014/12/31 RMB'000
Debt securities	<b>40,260,638</b>	31,361,176
Equity securities	<b>17,786,575</b>	14,011,074
Funds	<b>48,573,634</b>	11,174,523
Others	<b>3,819,559</b>	611,453
	<b>110,440,406</b>	57,158,226
Analysed as:		
Listed in Hong Kong	<b>2,728,274</b>	4,256,986
Listed outside Hong Kong (primarily in the PRC)	<b>36,269,398</b>	30,679,218
Unlisted ( <i>Notes i, ii</i> )	<b>71,442,734</b>	22,222,022
	<b>110,440,406</b>	57,158,226
Analysed for reporting purpose as:		
Current assets	<b>102,665,873</b>	55,630,844
Non-current assets ( <i>Note ii</i> )	<b>7,774,533</b>	1,527,382
	<b>110,440,406</b>	57,158,226

Notes:

- (i) Unlisted financial assets at fair value through profit or loss of the Group include unlisted bond, funds and structured products, which were classified as held for trading financial assets, the underlying investments of unlisted funds and structured products mainly consist of publicly traded equities and bonds listed in Hong Kong and in mainland China.
- (ii) Unlisted financial assets at fair value through profit or loss include financial assets acquired by the Group which are driven by the issued structured products and become its underlying investments and hedging items for the risk of economic exposure on these issued structured products as set out in Note 51.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

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

As at 31 December 2015, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with a total fair value of RMB29,149,000 (2014:RMB87,187,000) to external clients. Since the arrangement will be settled by the securities with the same quantity lent, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 36. DEPOSITS WITH EXCHANGES

	2015/12/31 <i>RMB'000</i>	2014/12/31 <i>RMB'000</i>
Deposits with stock exchanges		
– Shanghai Stock Exchange	442,017	125,160
– Shenzhen Stock Exchange	173,740	66,914
– National Equities Exchange and Quotations	1,565	828
– Stock Exchange of Hong Kong Limited	1,257	1,183
Subtotal	618,579	194,085
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	1,492,788	978,614
– Dalian Commodity Exchange	479,161	458,367
– Zhengzhou Commodity Exchange	266,437	308,344
– China Financial Futures Exchange	2,118,844	2,923,021
– Shanghai Gold Exchange	329	120
– HKFE Clearing Corporation Limited	2,658	6,577
– The Chinese Gold & Silver Exchange Society	575	541
– Collateral deposits placed with overseas stock exchange and brokers	2,033,056	–
Subtotal	6,393,848	4,675,584
Guarantee fund paid to Shanghai Stock Exchange	137,104	16,596
Guarantee fund paid to Shenzhen Stock Exchange	112,233	16,812
Deposit with China Securities Finance Corporation Ltd.	40,709	597,021
Deposit with Shanghai Clearing House	10,845	3,867
Guarantee fund paid to the SEHK Options Clearing House Ltd.	5,270	13,723
Guarantee fund paid to Hong Kong Securities Clearing Company Ltd.	67,873	21,045
Guarantee fund paid to Securities and Futures Commission	293	276
Others	171,875	1,440
Subtotal	546,202	670,780
Total	7,558,629	5,540,449
Analysed for reporting purpose as:		
Current assets	5,275,772	5,495,664
Non-current assets	2,282,857	44,785
	7,558,629	5,540,449

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 37. CLEARING SETTLEMENT FUNDS

	2015/12/31 RMB'000	2014/12/31 RMB'000
Clearing settlement funds held with clearing houses for:		
The Group	1,535,190	1,281,263
Clients	14,211,926	13,537,613
	<b>15,747,116</b>	14,818,876

These clearing settlement funds are held by the clearing houses for the Group can be withdrawn freely by the Group. These balances carry interest at prevailing market interest rates.

## 38. BANK BALANCES AND CASH

	2015/12/31 RMB'000	2014/12/31 RMB'000
General accounts	51,834,566	23,495,626
Cash held on behalf of clients ( <i>Note i</i> )	112,066,661	62,592,458
	<b>163,901,227</b>	86,088,084
Less: non-current restricted bank deposits ( <i>Note ii</i> )	(710,007)	(384,473)
	<b>163,191,220</b>	85,703,611

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

### Notes:

- (i) The Group received and held money deposited by clients in the course of the conduct of the regulated activities. The Group has recognised the corresponding amount in accounts payable to brokerage clients (Note 47). The Group currently does not have a legally enforceable right to offset these payables with deposit placed.
- (ii) The non-current restricted bank deposits are restricted for fund management risk reserve purpose, pledged bank deposits and margin deposits over 1 year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 39. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2015/12/31 RMB'000	2014/12/31 RMB'000
Bank balances and cash – general account	51,834,566	23,495,626
Less: Restricted bank deposits (Note)	(1,901,595)	(437,695)
Deposits with other banks	276,425	–
Clearing settlement funds – the Group	1,535,190	1,281,263
	<b>51,744,586</b>	24,339,194

Note: The liquidity restrictive deposits are margin deposits of notes receivable, margin deposits of borrowings and other pledge of bank deposits within one year.

## 40. DEPOSITS WITH CENTRAL BANK AND OTHER BANKS

	2015/12/31 RMB'000	2014/12/31 RMB'000
Deposits with central banks other than legal reserve	832,047	–
Legal reserve	2,838	–
	<b>834,885</b>	–
Deposits with other banks	276,425	–
	<b>1,111,310</b>	–

Note: As at 31 December 2015, the subsidiary of Group has amount approximately to RMB834,885,000 deposits with central banks. The whole balance is repayable on demand. The deposits are non-interesting bearing and approximately to RMB2,838,000 of the deposits is legal reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 41. LOANS AND ADVANCES

	2015/12/31 <i>RMB'000</i>	2014/12/31 <i>RMB'000</i>
Customer loans and advances	9,637,493	—
Less: Loans with impairment losses calculated on an portfolio basis	(27,565)	—
Less: Loans with impairment losses calculated on an individual basis	(2,284,652)	—
	<b>7,325,276</b>	—
Analysed for reporting purpose as:		
Current assets	1,676,977	—
Non-current assets	5,648,299	—
	<b>7,325,276</b>	—

The balance as at 31 December 2015 and 2014 with banking customers is analysed as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Corporate loans	9,634,718	—
Individual loans	2,775	—
Less: Impairment losses	(2,312,217)	—
Calculated on an portfolio basis	(27,565)	—
Calculated on an individual basis	(2,284,652)	—
	<b>7,325,276</b>	—

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 41. LOANS AND ADVANCES (continued)

As at 31 December 2015 and 2014, the analysis of loans and advances to customers by maturity is presented as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Up to 3 months	1,543,097	–
3 to 12 months	1,289,517	–
1 to 5 years	2,281,965	–
More than 5 years	4,522,914	–
Less: Impairment losses	<b>(2,312,217)</b>	–
	<b>7,325,276</b>	–

The movements occurred in impairment losses of loans and advances to customers are presented as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Balance as at 1 January	–	–
On acquisition date of a subsidiary	2,302,755	–
Charge for the year	29,839	–
Transfers for the year	7,914	–
Write off for the year	<b>(20,321)</b>	–
Write back for the year	<b>(4,779)</b>	–
Exchange differences and other	<b>(3,191)</b>	–
Balance as at 31 December	<b>2,312,217</b>	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 41. LOANS AND ADVANCES (continued)

As at 31 December 2015 the detail of impairment is presented as follows:

	Loans with impairment losses calculated on an individual basis		Loans with impairment losses calculated on a portfolio basis		Total		Net amount <i>RMB'000</i>
	Gross amount <i>RMB'000</i>	Impairment <i>RMB'000</i>	Gross amount <i>RMB'000</i>	Impairment <i>RMB'000</i>	Gross amount <i>RMB'000</i>	Impairment <i>RMB'000</i>	
Corporate loans	4,156,544	(2,284,652)	5,478,174	(27,551)	9,634,718	(2,312,203)	7,322,515
Individual loans	–	–	2,775	(14)	2,775	(14)	2,761
<b>Total</b>	<b>4,156,544</b>	<b>(2,284,652)</b>	<b>5,480,949</b>	<b>(27,565)</b>	<b>9,637,493</b>	<b>(2,312,217)</b>	<b>7,325,276</b>

Loans and advances by secured type are analysed as follows:

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Credit loans	<b>8,718,060</b>	–
Guaranteed loans	–	–
Mortgaged loans	<b>825,835</b>	–
Pledged loans	<b>93,598</b>	–
	<b>9,637,493</b>	–

Loans and advances by overdue analysis are listed as follows:

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
1-90 days (including 90 days)	<b>409,653</b>	–
90-360 days (including 360 days)	<b>765,130</b>	–
Over 1 year	<b>1,801,382</b>	–
	<b>2,976,165</b>	–



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 41. LOANS AND ADVANCES (continued)

As at 31 December 2015, the exposure and impairment detail by industries is disclosed in the following tables.

Industries	31.12.2015 Evaluation			
	Individual		Collective	
	Exposure RMB'000	Impairment RMB'000	Exposure RMB'000	Impairment RMB'000
Agriculture, forestry and fishing	39,331	(394)	11,272	(73)
Construction	395,795	(135,439)	1,037,012	(5,159)
Electricity, gas, steam and air conditioning supply	183,415	(80,815)	1,703,803	(8,582)
Wholesale and retail trade	356,426	(133,591)	232,169	(1,172)
Transport and storage	343,939	(41,694)	1,314,788	(6,593)
Manufacturing	343,722	(129,753)	460,091	(2,356)
Real estate activities	447,200	(358,269)	50,153	(251)
Water supply	68,291	(696)	90,985	(466)
Services	1,669,571	(1,263,414)	289,028	(1,441)
Others	308,854	(140,587)	291,648	(1,472)
<b>Total</b>	<b>4,156,544</b>	<b>(2,284,652)</b>	<b>5,480,949</b>	<b>(27,565)</b>

## 42. DEPOSITS FROM OTHER BANKS

	2015/12/31 RMB'000	2014/12/31 RMB'000
Deposits from banks	2,668	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 43. CUSTOMER ACCOUNTS

	2015/12/31 RMB'000	2014/12/31 RMB'000
Demand deposits – corporate	64,987	–
Time deposits – corporate	2,743,832	–
Demand deposits – private	1,348	–
Time deposits – private	8,992	–
	<b>2,819,159</b>	–
Analysed for reporting purpose as:		
Current	2,098,115	–
Non-current	721,044	–
	<b>2,819,159</b>	–

## 44. BORROWINGS

	2015/12/31 RMB'000	2014/12/31 RMB'000
Secured borrowings:		
Short-term borrowings (Note)	11,837,110	6,985,632
Long-term borrowings (Note)	15,370,705	8,928,533
Unsecured borrowings:		
Short-term borrowings	12,416,410	8,176,114
Long-term borrowings	990,279	254,979
	<b>40,614,504</b>	24,345,258
Current liabilities:		
Short-term borrowings	24,253,520	15,161,746
Long-term borrowings due within one year	7,030,977	4,645,828
	<b>31,284,497</b>	19,807,574
Non-current liabilities:		
Long-term borrowings	9,330,007	4,537,684
	<b>40,614,504</b>	24,345,258

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 44. BORROWINGS (CONTINUED)

Note:

Bank loans of approximately to RMB649 million (31 December 2014: nil) are secured by bonds.

Bank loans of approximately to RMB5,802 million (31 December 2014: approximately to RMB2,482 million) are secured by the listed shares (held by the Group as security for advances to customers in margin financing with the customers' consents) of approximately to RMB16,548 million at fair value (31 December 2014: approximately to RMB6,780 million).

Bank loans of RMB1,177 million (31 December 2014: RMB1,029 million) are secured by the listed shares acquired by the Group which are driven by the issued structured products of RMB1,671 million at fair value (31 December 2014: RMB1,527 million).

Bank loans of RMB1,508 million (31 December 2014: RMB947 million) are secured by the investment fund of RMB1,701 million at fair value (31 December 2014: RMB1,138 million) which is the dealing price of that fund derived from the net asset values of that fund with reference to observable quoted price of underlying investment portfolio in active markets.

Bank loans of current portion approximately to RMB2,392 million (31 December 2014: approximately to RMB2,252 million) and non-current portion approximately to RMB1,882 million (31 December 2014: nil) are secured by the shares of Haitong UT Capital and Haitong Bank respectively.

Non-current portion bank loan of RMB5,843 million (31 December 2014: RMB4,310 million) and current portion bank loan of RMB7,026 million (31 December 2014: RMB4,895 million) are secured by the finance leases receivable of RMB17,089 million (31 December 2014: RMB15,257 million).

## 45. SHORT-TERM FINANCING BILLS PAYABLES

	2015/12/31 RMB'000	2014/12/31 RMB'000
Analysed as:		
Stock Exchange (Note i)	8,000,000	7,500,000
Other (Note ii)	14,336,951	15,426,586
	<b>22,336,951</b>	<b>22,926,586</b>

Notes:

- (i) As at 31 December 2015, debt securities are issued in stock exchange by the Company bearing interest within 5.00% per annum, repayable within 1 year.
- (ii) According to Securities Association of China ("SAC")'s letter on approving the pilot of OTC income certificate business (SAC [2014]285), the Group was authorized to conduct income certificate business. The yields of all the outstanding income certificates were between 1.80% to 6.00% per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 46. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	<b>2015/12/31</b> <i>RMB'000</i>	2014/12/31 <i>RMB'000</i>
Placements from banks	<b>7,260,352</b>	8,500,000
Placements from China Securities Finance Corporation Ltd.	–	5,770,000
	<b>7,260,352</b>	14,270,000
Analysed for reporting purpose as:		
Current liabilities	<b>1,512,362</b>	14,270,000
Non-current liabilities	<b>5,747,990</b>	–
	<b>7,260,352</b>	14,270,000

## 47. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balance is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

Accounts payable mainly include money held on behalf of clients at the banks and at the clearing houses by the Group.

As at 31 December 2015 and 31 December 2014, included in the Group's accounts payable to brokerage clients were approximately RMB12,528,548,000 and RMB6,049,313,000 cash collateral received from clients for securities lending and margin financing arrangement.

Accounts payable to brokerage clients is interest bearing at the prevailing interest rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 48. OTHER PAYABLES AND ACCRUALS

	2015/12/31 RMB'000	2014/12/31 RMB'000
Accrued staff cost (Note i)	4,738,366	1,726,026
Business tax and other tax payable	910,824	435,531
Dividends payable	7,536	7,536
Risk reserve	257,237	175,264
Client settlement payables	1,522,701	2,163,513
Pending payable to clearing house	1,798,608	468,061
Commission and fee payables	19,624	20,321
Payables due to fund redemption	1,060	186,140
Finance lease guarantee deposits	445,104	379,171
Payable for leasing equipment	37,094	103,356
Interest payables	3,505,681	883,334
Amounts due to brokers	755,041	766,823
Notes payable	338,401	73,469
Acting underwriting securities	540,952	–
Others (Note ii)	1,271,670	611,989
	<b>16,149,899</b>	<b>8,000,534</b>
Analysed for reporting purpose as:		
Current liabilities	15,504,612	7,697,576
Non-current liabilities (Note i)	645,287	302,958
	<b>16,149,899</b>	<b>8,000,534</b>

### Notes:

- (i) During the year 2015, the Group set up a detail plan for the payment of employees' bonus accrued based on the performance of current year. Amounting to RMB300,612,000 of the Group and amounting to RMB266,527,000 of the Company is planned to be settled after 31 December 2016 and classified as non-current liabilities.
- (ii) Others represent of the Company primarily accrued operating expenses which are non-interest bearing and are repayable within one year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 49. PROVISIONS

	2015/12/31 RMB'000	2014/12/31 RMB'000
At beginning of the year	2,493	2,740
Addition during the year	60,611	–
Reversal during the year	(2,493)	(247)
Provision	<b>60,611</b>	2,493

These provisions are intended to cover certain contingencies related to the Group activities, including contingencies related to ongoing tax processes.

## 50. DERIVATIVE INSTRUMENTS

	2015/12/31		2014/12/31	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Stock index futures contracts (Notes i, ii)	–	–	–	–
Treasury futures contracts (Note iii)	–	–	–	–
Interest rate swap contracts (Note iv)	2,288,424	2,257,776	31,190	22,530
Equity swap (Note v)	12,783	236,348	–	–
Equity linked note	–	–	24,757	–
Forward contracts	213,480	505,449	154,253	163,860
Options (Note vi)	387,988	59,967	211	55,960
Embedded equity instruments (Note vi)	–	282	–	4,636
Debts linked note	440,407	–	431,800	–
Foreign exchange swap	5,576	34,282	–	–
Credit default swap	79,508	624,012	–	–
Total	<b>3,428,166</b>	<b>3,718,116</b>	642,211	246,986

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 50. DERIVATIVE INSTRUMENTS (continued)

Notes:

### (i) Hedge

The stock index futures contracts outstanding as at 31 December 2015 and 31 December 2014 are used to hedge the exposure to the changes in fair values of the securities lent or to be lent to clients. The index future contract of the Group is the standard CSI 300 and SSE 50 stock index futures contracts listed in China Financial Futures Exchange.

#### Fair value hedge

The Group adopted hedging strategy, where by the Group used CSI 300 and SSE 50 stock index future contract to hedge the market risk of the securities lent or to be lent to clients, which consist of stock portfolio with reference to that used by CSI 300 and SSE 50 stock index.

At the inception of the hedge relationship, the Group has officially designated the CSI 300 and SSE 50 stock index future contract as hedging instrument, and document the hedging relationship, risk management and hedge strategy. According to the effectiveness test of fair value hedge by the Group, the index future contract was considered hedging instrument as highly effective.

Included in the derivative financial instruments above are those designated as hedging instruments of fair value hedge by the Group as follows:

	2015 RMB'000	2014 RMB'000
Fair value loss of the hedging instruments	(160,725)	(567,246)
Fair value gain of the hedged item	172,554	603,387
Total	11,829	36,141

### (ii) Stock index futures

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2015 and 31 December 2014. Accordingly, the net position of the SIF contracts in derivative instruments was nil at the end of reporting period. As at 31 December 2015 and 2014, the Group has no outstanding stock index futures contracts held for hedging the market risk of the securities lent or to be lent to clients (2014 contract value: RMB2,042,523,000; 2014 fair value loss: RMB274,626,000). The contract value of the outstanding stock index futures contracts that the Group held for non-hedging the market risk of the securities lent or to be lent to clients is RMB88,541,000 (2014: RMB5,569,549,000) with fair value gain RMB30,000 (2014 fair value loss: RMB123,952,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 50. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

### (iii) Treasury futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures ("TF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 Dec 2015. Accordingly, the net position of the TF contracts in derivative instruments was nil at the end of reporting period. The Group did not held any balance as at 31 December 2014.

Contract	2015/12/31	
	Contract value RMB'000	Fair value RMB'000
T1603	60,033	(83)
T1603	1,979,088	(23,200)
TF1603	1,577,969	(11,559)
<b>Total</b>	<b>3,617,090</b>	<b>(34,842)</b>
Less: settlement		34,842
Net position of TF contracts		–

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 50. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

### (iv) Interest rate swap contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap ("IRS") were settled daily in mainland China market and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2015. Accordingly, the net position of the IRS contracts in derivative instruments was nil at the end of reporting period. As at 31 December 2015, under the daily mark-to-market and settlement arrangement, the contract values of the Group's IRS contracts are approximately RMB21,311,000,000. (2014: RMB2,080,000,000).

For IRS contracts in mainland China and Hong Kong market not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period. As at 31 December 2015, for IRS contracts not under the daily mark-to-market and settlement arrangement, the contract values of those IRS contracts of the Group are approximately RMB69,109,989,000. (2014: RMB7,869,635,000).

	2015/12/31		
	Contract value RMB'000	Assets RMB'000	Liabilities RMB'000
IRS – settle in Shanghai Clearing House	21,311,000	–	(5,265)
IRS – non-centralized settlement	69,109,989	2,288,424	(2,257,776)
<b>Total</b>	<b>90,420,989</b>	<b>2,288,424</b>	<b>(2,263,041)</b>
Less: settlement			5,265
<b>Net position of IRS contracts</b>		<b>2,288,424</b>	<b>(2,257,776)</b>

### (v) Equity swap

At 31 December 2015, The Group held notional principal approximately in amount of RMB1,136,450,000 (2014: nil).

### (vi) Options and embedded equity instruments

As at 31 December 2015, the notional principal amounts of the Group's options in mainland China are approximately RMB252,358,936,000 with fair value loss of RMB13,905,000 (2014: RMB15,081,533,000 with fair value loss of RMB55,960,000). The notional principal amounts of the Group's listed options in Hong Kong are approximately RMB3,262,423,000 with fair value gain of RMB341,926,000 (2014: RMB261,000 with fair value gain of RMB221,000). As at 31 December 2015, the notional principal amounts of the Group's embedded equity instruments are approximately RMB90,750,000 (2014: RMB331,576,000) with fair value gain RMB282,000 (2014: fair value loss RMB4,636,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 51. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015/12/31 RMB'000	2014/12/31 RMB'000
Financial liabilities held for trading (Note i)	19,005,988	11,604,704
Designated as financial liabilities at fair value through profit or loss (FVTPL)-Structured products (Note iii)	6,975,411	2,581,147
Designated as financial liabilities at FVTPL – Gold lending (Note ii)	5,044,213	1,603,773
	<b>31,025,612</b>	15,789,624
Analysed for reporting purpose as:		
Current	24,837,241	14,781,559
Non-current(Note iii)	6,188,371	1,008,065
	<b>31,025,612</b>	15,789,624

*Notes:*

- (i) Financial liabilities held for trading mainly consist of the liabilities arising from consolidation of structured entities.
- (ii) As at 31 December 2015, included in the Group's financial liabilities designated at fair value through profit or loss are gold lending contracts entered by the Company with counterparties.

The risk of economic exposure on these contracts is primarily hedged using forward contracts.

- (iii) As at 31 December 2015, included in the Group's financial liabilities designated at fair value through profit or loss are the issued structured notes by subsidiaries of the Group which arise from selling structured products generally in the form of notes or certificates with the underlying investments related to listed equity investments in active markets and unlisted equity or partnership investments.

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

As at 31 December 2015, amount of RMB6,188,371,000 structured product's maturity is over one year which is classified as non-current liabilities. Among which HKD620 million (equivalent to RMB519 million) is the cash paid by an external third party ("Initial Exchange Amount") to the Group for the total return swap transaction with a gross national amount of HKD2,100 million (equivalent to RMB1,759 million) for the Group's interests approximately 38.9 % in New Bridge as a limited partner (Note 23). The total return swap transaction will be due and expired on 4 December 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 52. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2015/12/31 RMB'000	2014/12/31 RMB'000
Analysed as collateral type:		
Stock	998,382	–
Bonds	29,633,244	20,003,884
Loans and advances to customers and finance lease receivables	67,944,910	54,713,980
	<b>98,576,536</b>	<b>74,717,864</b>
Analysed by market:		
Stock Exchange	6,787,085	12,994,806
Inter-bank market	22,846,158	7,009,078
OTC	68,943,293	54,713,980
	<b>98,576,536</b>	<b>74,717,864</b>
Analysed for reporting purpose as:		
Current	90,951,854	59,807,864
Non-current	7,624,682	14,910,000
	<b>98,576,536</b>	<b>74,717,864</b>

As of 31 December 2015, the above financial assets sold under repurchase agreements include those bond repurchase agreements entered into with qualified investors, which amounted to RMB8,390,140,000 (31 December 2014: RMB3,352,106,000) for the Group, which amounted to RMB8,254,843,000 (31 December 2014: RMB3,352,106,000) matured within 3 months, amounted to RMB41,575,000 (31 December 2014: nil) matured with 3 months to 1 year, and amounted to RMB93,722,000 (31 December 2014: nil) matured above 1 year.

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these securities. In addition, it recognises a financial liability.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 52. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

As at 31 December 2015 and 31 December 2014, the Group enters into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangement.

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

### As at 31 December 2015

	Financial assets at fair value through profit or loss	Available-for-sale investments	Loan and receivable investments	Advances to customers on margin financing	Financial assets held under resale agreements	Finance lease receivables	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of transferred assets	28,012,009	1,572,939	1,449,929	44,642,636	25,185,376	1,430,089	952,193	103,245,171
Carrying amount of associated liabilities	26,056,249	1,366,519	1,380,297	43,260,391	24,290,719	1,270,000	952,361	98,576,536
Net position	1,955,760	206,420	69,632	1,382,245	894,657	160,089	(168)	4,668,635

### As at 31 December 2014

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 53. SHARE CAPITAL

	Listed A shares		Listed H shares		Total	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Registered, issued and fully paid at RMB1.0 per share:						
At 1 January 2014,						
At 31 December 2014,						
At 1 January 2015	8,092,131	8,092,131	1,492,590	1,492,590	9,584,721	9,584,721
Private placement (Note)	-	-	1,916,979	1,916,979	1,916,979	1,916,979
At 31 December 2015	8,092,131	8,092,131	3,409,569	3,409,569	11,501,700	11,501,700

Note:

As approved by the shareholders at the 2015 First Extraordinary General Meeting, 2015 First A Share General Meeting, 2015 First H Share General Meeting and obtained the China Securities Regulatory Commission ("CSRC") approval at Zheng Jian Xu Ke No. [2015]811, Approval on Issuing Additional Oversea Listing Shares of Haitong Securities Co., Ltd, the Company has made non-public offering on H shares during this period.

On 15 May 2015 and 29 May 2015, the Company issued 1,048,141,000 and 868,838,000 H shares with nominal value of RMB1 per share at issuing price of HKD17.18 per share, respectively. The respective net proceed from the fund-raising after deducting the expenses in connection with the issue was RMB equivalent 25,875,204,000, of which RMB1,916,979,000 was recorded in "Share Capital" and RMB24,071,378,000 was recorded in "Capital Reserve".

The new issued H shares are equally authentic as other H shares.

## 54. DEFERRED TAXATION

For the purpose of presentation in the Group's statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2015/12/31 RMB'000	2014/12/31 RMB'000
Deferred tax assets	2,516,143	566,817
Deferred tax liabilities	(665,909)	(758,197)
	1,850,234	(191,380)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 54. DEFERRED TAXATION (continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon:

	Financial assets at fair value through profit or loss	Accelerated depreciation	Derivative assets	Accrued but not paid expenses	Available- for-sale investments	Derivative liabilities	Provision of Loans and receivables	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	179,802	(11,757)	(17,370)	56,420	122,130	11,605	-	4,519	345,349
Arising from the acquisition of a subsidiary		-	(1,859)	8,932	-	379	69,293	-	76,745
Credit (charge) to profit or loss	(712,328)	2,107	18,544	193,478	(232,699)	95,390	72,170	(131)	(563,469)
Credit to other	-	-	-	-	(49,979)	-	-	-	(49,979)
Effects of exchange rate	-	(39)	-	-	-	-	-	13	(26)
<b>At 31 December 2014</b>	<b>(532,526)</b>	<b>(9,689)</b>	<b>(685)</b>	<b>258,830</b>	<b>(160,548)</b>	<b>107,374</b>	<b>141,463</b>	<b>4,401</b>	<b>(191,380)</b>
Arising from the acquisition of a subsidiary	-	-	59,853	52,431	56,663	-	584,292	104,100	857,339
Credit (charge) to profit or loss	318,949	(6,947)	8,387	704,558	9,534	32,474	264,808	8,657	1,340,420
Credit to other	-	-	-	-	(162,378)	-	-	-	(162,378)
Effects of exchange rate	-	(597)	-	501	(21)	12	6,065	273	6,233
<b>At 31 December 2015</b>	<b>(213,577)</b>	<b>(17,233)</b>	<b>67,555</b>	<b>1,016,320</b>	<b>(256,750)</b>	<b>139,860</b>	<b>996,628</b>	<b>117,431</b>	<b>1,850,234</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 55. BONDS PAYABLE

	2015/12/31 RMB'000	2014/12/31 RMB'000
Convertible bonds (Note i)	112,592	1,405,329
Non-convertible bonds (Notes ii, iii, iv)	52,896,037	34,359,083
Subordinated notes (Notes v)	35,851,697	–
Asset backed securities (Notes vi)	1,092,972	–
Others (Notes vii)	10,646,110	11,255
	<b>100,599,408</b>	<b>35,775,667</b>
Analysed for reporting purpose as:		
Current	10,793,748	–
Non-current	89,805,660	35,775,667
	<b>100,599,408</b>	<b>35,775,667</b>

Note:

- (i) Group's subsidiary Haitong International Securities Group Limited ("HISGL") has issued convertible bonds in principal amount of HKD1,008 million (equivalent to RMB844 million) and HKD1,164 million (equivalent to RMB975 million) in 2013 and 2014 respectively and these convertible bonds bear interest at a fixed rate of 1.25% per annum with a maturity period of 5 years respectively. The values of the liability component and the equity conversion component were determined at the issuance of the bonds.

As at 31 December 2015, the conversion prices of convertible bonds issued by HISGL in 2013 and 2014 are adjusted to HKD2.95 (equivalent to RMB2.47) per share (31 December 2014: HKD3.61 (equivalent to RMB2.85) per share) and HKD4.92 (equivalent to RMB4.12) per share (31 December 2014: HKD6 (equivalent to RMB4.73) per share) after the rights issue announced on 18 March 2015 and determination of the right to the entitlement of the final dividend as resolved by the owners of HISGL on 8 June 2015 as well as the issue of new shares on 27 October 2015 under interim dividend of HKD20 cents (equivalent to RMB0.17) per Share for the six months ended 30 June 2015 in form of scrip dividend.

During the year ended 31 December 2015, convertible bonds issued by the HISGL in 2013 and 2014 with the principal amount of HKD681 million (equivalent to RMB571 million) (31 December 2014: HKD325 million (equivalent to RMB256 million)) and HKD1,027 million (equivalent to RMB860 million) (31 December 2014: Nil) were converted into ordinary shares of HISGL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 55. BONDS PAYABLE (continued)

*Note: (continued)*

- (ii) On 11 September 2014, the Group's wholly owned subsidiary Haitong International Finance 2014 Limited issued guaranteed bonds in principal amount of USD600 million (equivalent to RMB3,896 million) which is guaranteed by the Haitong International Holdings Limited ("HTIH"). Please refer to the related announcements made by HISGL on 4 and 11 September 2014 as well as 2014 audited consolidated financial statements for details of the bond.

On 29 January 2015, the Group's wholly owned subsidiary Haitong International Finance 2015 Limited issued guaranteed bonds in principal amount of USD700 million (equivalent to RMB4,546 million). Please refer to the announcements made by HISGL on 22, 23 and 29 January 2015 for details of the bond.

On 30 May 2014 and 18 September 2014, the Group's wholly owned subsidiary Unican Limited issued medium term note in principal amount of RMB500 million and RMB1,600 million at par respectively. These notes carries a fixed annual interest rate with a maturity period of 3 years.

On 18 November 2014, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued medium-term note in principal amount of RMB400 million at par with a maturity period of 3 years.

On 2 July 2015, the Group's wholly owned subsidiary Unican Limited issued medium term note in principal amount of RMB1,000 million which carries a fixed annual interest with a maturity period of 3 years.

On 29 October 2013, the Group's subsidiary Haitong International Finance Holdings Limited issued corporate bonds in principal amount of USD900 million (equivalent to RMB5,844 million), which is listed on the Hong Kong Exchanges and Clearing Limited. The bond carries a fixed annual interest rate with a maturity period of 5 years. The par value will be fully redeemed till maturity date.

The Company entered into a keepwell deed for the above bonds. The Company will undertake to cause Haitong International Finance Holdings Limited to remain solvent at all times and to have sufficient liquidity to ensure timely payment by Haitong International Finance Holdings Limited of any amounts payable in respect of the notes in accordance with the terms and conditions of the notes any payments due under the keepwell deed.

On 21 April 2015, the Group's wholly owned subsidiary Haitong International Finance Holdings 2015 Limited issued guaranteed bonds in principal amount of USD670 million (equivalent to RMB4,350 million) which is guaranteed by the Company and the bond is listed on the Hong Kong Exchanges and Clearing Limited. The bond carries a fixed annual interest rate with a maturity period of 5 years.

On 15 May 2015, the Group's wholly owned subsidiary Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) issued private placement note in principal amount of RMB200 million at par which carries a fixed annual interest rate of 5.9% with a maturity period of 3 years.

On 3 December 2015, Haitong Capital Investment Co., Ltd issued unguaranteed bonds in principal amount of RMB2,000 million. Among which, notes amounting to RMB1400 million carries a fixed interest rate of 4.25% per annum with a maturity period of five years and notes amounting to RMB600 million carries a fixed interest rate of 3.9% per annum with a maturity period of three years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 55. BONDS PAYABLE (continued)

*Note: (continued)*

- (iii) On 25 November 2013, the Company issued non-convertible bonds in principal amount of RMB12 billion at par. Those bonds carry fixed interest rate with maturity terms of three years, five years and ten years, respectively. The principle amounts are RMB7.26 billion, RMB2.35 billion and RMB2.39 billion and bear interest rate at 6.05% per annum, 6.15% per annum and 6.18% per annum, respectively.

On 14 July 2014, the Company issued non-convertible bonds in principal amount of RMB11 billion at par. Those bonds carry fixed interest rate with maturity terms of three years, five years and ten years, respectively. The principal amounts are RMB5.65 billion, RMB4.55 billion and RMB0.8 billion and bear interest rate at 5.25% per annum, 5.45% per annum and 5.85% per annum, respectively.

- (iv) As at 31 December 2015, the non-current portion and current portion of outstanding loan balances of HKD234 million (equivalent to RMB196 million) (31 December 2014: Nil) and HKD2,228 million (equivalent to RMB1,866 million)(31 December 2014: Nil) represent the unsecured and unguaranteed non-convertible notes issued by HISGL in current year under HISGL's Medium Term Note Programme (the "MTN Programme"). The non-convertible notes bear a fixed interest rate in the range of 3.8% to 4.9% per annum.

The fair value of the portfolio of Euro medium term notes and other bonds issued is presented on Note71. Debt securities issued includes an amount of EUR466,960 thousand (equivalent to RMB3,313,174 thousand) (2014: nil) of liabilities recognised in the consolidated statement of financial position at fair value through profit or loss. During 2015, the Haitong Bank Group issued debt securities amounting to EUR115,777 thousand (equivalent to RMB821,460 thousand)(2014: nil) and reimbursed EUR547,980 thousand (equivalent to RMB3,888,027 thousand (2014: nil). Additionally, the profit recognised arising from debt revaluation amounts to EUR89,274 thousand (equivalent to RMB633,417 thousand).

- (v) On 8 April 2015, the Company issued subordinated notes in principal amount of RMB15 billion at par. The note carries a fixed interest rate of 5.5% per annum with a maturity period of 5 years, the Company has an option to redeem all or some of these notes at the face value on 8 April 2018.

On 12 June 2015, the Company issued subordinated notes in principal amount of RMB20 billion at par. Among which, notes amounting to RMB15 billion carries a fixed interest rate of 5.30% per annum with a maturity period of three years and notes amounting to RMB5 billion carries a fixed interest rate of 5.38% per annum with a maturity period of five years. The Company has an option to redeem all or some of notes at the face value on 12 June 2017 and 12 June 2018, respectively.

As at 31 December 2015, the book value of subordinated debt issued by Haitong Bank is EUR215 thousand (equivalent to RMB1,525 thousand). The interest rate indexed to CMS. The subordinated debt issued in year 2003 and will expire in year 2033. During the years ended 31 December 2015, the Bank did not issue any subordinated debt.

On 15 December 2015, the Haitong Futures Co., Ltd issued subordinated note in principal amount of RMB500 million at par which carries a fixed annual interest rate of 4.94% with a maturity period of 6 years.

On 9 November 2015, Shanghai Haitong Securities Asset Management Company Limited, the subsidiary of the Group issued subordinated note in principal amount of RMB1 billion at par which carries a fixed annual interest rate of 4.95% with a maturity period of 5 years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 55. BONDS PAYABLE (continued)

Note: (continued)

- (vi) On 7 May 2015, Haitong Unitrust Finance & Leasing Corporation issued asset-backed note in principal amount of RMB1,362 million under the Measures for the Administration of the Filing of Asset-Backed Special Programs. As at 31 December 2015, asset-backed note of RMB14 million was held by Haitong Unitrust Finance & Leasing Corporation.
- (vii) According to SAC's letter on approving the pilot of OTC income certificate business (SAC [2014]285), the Group was authorized to conduct income certificate business. The amount represents several products issued by the Group with maturities ranged from 13 months to 25 months. The corresponding yield of the outstanding income certificate were between 4.3% and 6.2%. Those products which will be settled within one year from year end are classified as the current portion of bonds payable.

## 56. LONG-TERM PAYABLES

	2015/12/31 RMB'000	2014/12/31 RMB'000
Deposits from lessees	2,278,606	1,913,474
Others	57,602	27,645
	<b>2,336,208</b>	<b>1,941,119</b>

Long-term payables are mainly due to the guaranteed fund received by the Group through finance leasing business. All amounts will expire beyond one year upon contract agreement and are classified as non-current liabilities.

## 57. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

### (a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

### (b) Investment revaluation reserve

Investment revaluation reserve represents the fair value changes of available-for-sale financial assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 57. RESERVES AND RETAINED PROFITS (continued)

### (c) General reserves

The general reserves comprise statutory reserve, general risk reserve and transaction risk reserve.

Pursuant to the Company Law of The PRC, 10% of the net profit of the Company, as determined under the PRC accounting regulations and before distribution to shareholders, is required to be transferred to a statutory reserve until such time when this reserve represents 50% of the share capital of the Company. The reserve appropriated can be used for loss-covering, expansion of production scale and capitalisation, in accordance with the Company's articles of association or approved by the shareholders in a shareholders' general meeting.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as general risk reserve from retained profits.

Pursuant to the Securities Law of The PRC, the Company is required to appropriate 10% of the net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as transaction risk reserve from retained profits and cannot be distributed or transferred to share capital.

For each of the years ended 31 December 2015 and 31 December 2014, the Company transferred approximately RMB1,351,578,000 and RMB567,817,000 respectively, the same amount to each of the statutory reserve, general risk reserve and transaction risk reserve pursuant to the above regulatory requirements in the PRC.

Each of the Company's statutory reserve, general risk reserve and transaction risk reserve amounted to approximately RMB4,512,689,000 and RMB3,161,111,000 as at 31 December 2015 and 31 December 2014, respectively.

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to general reserves. The total amount of general reserves appropriated from the subsidiaries as at 31 December 2015 is RMB348,513,000 (31 December 2014: RMB309,411,000).

### (d) Distributable profits

In accordance with the relevant regulations, the distributable profits of the Company is deemed to be the lower of (i) the retained profits determined in accordance with PRC GAAP and (ii) the retained profits determined in accordance with IFRSs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 58. CREDIT COMMITMENT

As at 31 December 2015 and 2014, this balance can be analysed as follows:

	2015/12/31 RMB'000	2014/12/31 RMB'000
Contingent liabilities		
Guarantees and standby letters of credit	1,911,109	—
Assets pledged as collateral	608,531	—
	<b>2,519,640</b>	—
Commitments		
Irrevocable commitments	342,065	—
	<b>342,065</b>	—

Guarantees and standby letters of credits are banking operations that may imply out-flow by the Group only at default condition.

Irrevocable commitments represent contractual agreements to extend credit to the Haitong Bank's customers (e.g. unused credit lines). These agreements are, generally, contracted for fixed periods of time or with other expiration requisites, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these contingent liabilities and commitments, the analysis of these operations follows the same basic principles of any other commercial operation, namely the solvency of the underlying client and business, being that the Bank requires these operations to be adequately covered by collaterals when needed.

Once as expected, the majority of these will expire without being used, the referred amounts are not representative of the future cash-flows needs.

As at 31 December 2015, the balance assets pledged as collateral include:

- Securities pledged to the Bank of Portugal as collaterals of facility amount to EUR 83,854 thousand (equivalent to RMB594.96 million), the total amount of securities eligible for rediscount at the Bank of Portugal as at 31 December 2015 amounted EUR 83,854 thousand (equivalent to RMB594.96 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 58. CREDIT COMMITMENT (continued)

- Securities pledged as collateral to the Portuguese Securities and Exchange Commission (CMVM) in the scope of the Investors Indemnity System (Sistema de Indemnização aos Investidores) in the amount of EUR 1,813 thousand (equivalent to RMB12.86 million).
- Securities pledged as collateral to the Deposits Guarantee Fund (Fundo de Garantia de depósitos) for an amount of EUR 100 thousand (equivalent to RMB710 thousand).

Additionally, the off-balance sheet items being related to banking services provided are as follows:

	2015/12/31 RMB'000	2014/12/31 RMB'000
Securities and other items held for safekeeping on behalf of customers	4,834,642	—
Other commitment	21,567,864	—
	<b>26,402,506</b>	—

As at 31 December 2015, the value of other commitment included EUR 2,806,642 thousand (equivalent to RMB19.91 billion) related to securitized loans under management and EUR 233,158 thousand (equivalent to RMB1.65 billion) in related to structured products.

## 59. OPERATING LEASE ARRANGEMENTS

### The Group as lessee

Leases for the properties are negotiated for an average term of three years and rentals are fixed accordingly.

At 31 December 2015 and 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	2015/12/31 RMB'000	2014/12/31 RMB'000
Within one year	271,120	228,984
In the second to fifth year, inclusive	374,264	326,153
Over five years	16,444	47,987
	<b>661,828</b>	603,124

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 59. OPERATING LEASE ARRANGEMENTS (continued)

### The Group as lessor

The lease terms are negotiated for an average term of two years and rental are fixed for an average of two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Within one year	<b>14,460</b>	12,358
In the second to fifth year, inclusive	<b>30,663</b>	29,833
Over five years	<b>9,338</b>	9,413
	<b>54,461</b>	51,604

## 60. CAPITAL COMMITMENT

	<b>2015/12/31</b> <i>RMB'000</i>	2014/12/31 <i>RMB'000</i>
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided for	<b>56,739</b>	40,239

## 61. DIVIDENDS

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Dividends recognised as distribution	<b>2,875,425</b>	1,150,166

Pursuant to the resolution of annual general meeting 2015 and 2014, the Company declared 2014 and 2013 final dividend of RMB0.25 and RMB0.12 per share respectively, satisfied by cash. For the proposed dividend of 2015, please refer to Note 74.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 62. DIRECTORS', SENIOR MANAGEMENT'S AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors, Senior Management and Supervisors of the Company paid/payable by the Group for the year ended 31 December 2015 and 2014 are set out below:

### For the year ended 31 December 2015

Name	Director fee RMB'000	Salary and commission, bonuses* RMB'000	Employer's contribution to pension schemes annuity plans RMB'000	Total <sup>†</sup> RMB'000
<i>Executive Directors and Senior Management:</i>				
Wang Kaiguo <sup>&amp;</sup>	–	736	201	937
Qu Qiuping <sup>&amp;</sup>	–	736	201	937
Ji Yuguang <sup>†</sup>	–	663	201	864
Ren Peng <sup>†</sup>	–	663	201	864
Li Xunlei <sup>†</sup>	–	1,930	224	2,154
Gong Liqihui <sup>†</sup>	–	1,930	224	2,154
Pei Changjiang <sup>†</sup>	–	663	201	864
Wang Jianye <sup>#</sup>	–	1,728	224	1,952
Li Chuqian <sup>€</sup>	–	1,728	224	1,952
Jin Xiaobin <sup>††</sup>	–	1,008	130	1,138
Huang Zhenghong <sup>‡</sup>	–	1,467	224	1,691
Li Chuqian <sup>□</sup>	–	1,500	224	1,724
Zhang Xiangyang <sup>□</sup>	–	2,978	41	3,019
Li Jianguo <sup>□</sup>	251	4,278	100	4,629
Lin Yong <sup>□</sup>	–	3,165	100	3,265
<i>Independent Non-executive Directors and Supervisors:</i>				
Liu Zhimin <sup>+</sup>	120	–	–	120
Xiao Suining <sup>+</sup>	120	–	–	120
Li Guangrong <sup>+</sup>	120	–	–	120
Lv Changjiang <sup>+</sup>	120	–	–	120
Feng Lun <sup>+</sup>	120	–	–	120
Yang Qingzhong <sup>α</sup>	–	663	201	864
Qiu Xiaping <sup>§</sup>	–	1,255	224	1,479
Wang Meijuan <sup>§</sup>	–	1,233	224	1,457
Hu Hairong <sup>§</sup>	–	1,226	224	1,450
Song Shihao <sup>β</sup>	–	1,023	224	1,247
	851	30,573	3,817	35,241

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 62. DIRECTORS', SENIOR MANAGEMENT'S AND SUPERVISORS' EMOLUMENTS (continued)

For the year ended 31 December 2014

Name	Director fee RMB'000	Salary and commission, bonuses* RMB'000	Employer's contribution to pension schemes annuity plans RMB'000	Total <sup>^</sup> RMB'000
<i>Executive Directors and Senior Management:</i>				
Wang Kaiguo <sup>&amp;</sup>	–	2,378	184	2,562
Li Mingshan <sup>&amp;</sup>	–	828	61	889
Qu Qiuping <sup>&amp;</sup>	–	1,581	108	1,689
Ji Yuguang <sup>†</sup>	–	1,830	184	2,014
Ren Peng <sup>†</sup>	–	1,833	184	2,017
Wu Bin	–	963	91	1,054
Li Xunlei <sup>†</sup>	–	1,845	184	2,029
Gong Liqihui <sup>†</sup>	–	1,931	184	2,115
Pei Changjiang <sup>†</sup>	–	1,825	184	2,009
Wang Jianye <sup>#</sup>	–	1,675	184	1,859
Li Chuqian <sup>€</sup>	–	1,675	184	1,859
Jin Xiaobin <sup>π</sup>	–	1,675	184	1,859
Chen Chunqian <sup>Ω</sup>	–	1,463	184	1,647
Zhang Xiangyang <sup>Ω</sup>	–	2,394	54	2,448
Li Jianguo <sup>Ω</sup>	237	3,635	93	3,965
Lin Yong <sup>Ω</sup>	–	2,839	93	2,932
<i>Independent Non-executive Directors and Supervisors:</i>				
Xia Bin	120	–	–	120
Chen Qiwei	120	–	–	120
Zhang Huiquan	120	–	–	120
Zhang Ming	120	–	–	120
Dai Genyou	120	–	–	120
Liu Zhimin <sup>+</sup>	120	–	–	120
Xiao Suining <sup>+</sup>	120	–	–	120
Yang Qingzhong <sup>α</sup>	–	1,833	184	2,017
Qiu Xiaping <sup>§</sup>	–	1,094	184	1,278
Du Hongbo	–	1,088	184	1,272
Wang Meijuan <sup>§</sup>	–	1,090	184	1,274
Hu Hairong <sup>§</sup>	–	1,082	184	1,266
	1,077	36,557	3,260	40,894



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 62. DIRECTORS', SENIOR MANAGEMENT'S AND SUPERVISORS' EMOLUMENTS (continued)

- \* The bonuses are discretionary and are determined by reference to the Group's and the individuals' performance.
- ^ The Company did not operate any share option scheme during the reporting periods. Details of the subsidiary's share option scheme are disclosed in note 64.
- & Mr. Wang Kaiguo, Mr. Li Mingshan and Mr. Qu Qiuping whose emoluments disclosed above include those for service rendered by them as Chief Executives.  
  
Mr. Li Mingshan resigned from the positions of General Manager and Director of the Company in March 2014. Mr. Qu Qiuping was appointed as the General Manager and Director of the Company in June 2014.
- + Mr. Liu Zhimin, Mr. Xiao Suining, Mr. Li Guangrong, Mr. Lv Changjiang and Mr. Feng Lun were appointed as Independent Non-executive Directors of the Company in December 2014.
- ^ Mr. Yang Qingzhong was appointed as Vice Chairman of the Supervisory Board, Secretary of the Commission for Inspecting Discipline and Deputy Party Secretary of the Company in December 2014.
- β Mr. Song Shihao was appointed as Supervisor of the Company in July 2015.
- γ Mr. Ji Yuguang, Mr. Reng Peng, Mr. Li Xunlei, Mr. Gong Liqihui and Mr. Pei Changjiang were appointed as Deputy General Managers of the Company in December 2014.
- # Mr. Wang Jianye was appointed as Chief Risk Officer and Compliance Director of the Company in December 2014.
- € Mr. Li Chuqian was appointed as Chief Financial Officer of the Company in December 2014.
- ∂ Mr. Li Jianguo, Mr. Chen Chunqian, Mr. Zhang Xiangyang and Mr. Lin Yong were appointed as Assistant General Managers of the Company in December 2014.
- ∑ Mr. Huang Zhenghong was appointed as Board Secretary of the Company in March 2015.
- π Mr. Jin Xiaobin was appointed as Board Secretary of the Company in December 2014 and resigned from the position of Board Secretary of the Company in April 2015.
- § Mrs. Qiu Xiaping, Wang Meijuan and Mrs. Hu Hairong were appointed as Supervisors of the Company in December 2014.

For the year ended 31 December 2015 and 2014, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for redundancy.

## 63. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none of them are directors, supervisors or senior management. Details of the remuneration of the five highest paid employees during the year ended 2015 and 2014 are as follows:

	2015 RMB'000	2014 RMB'000
Salary and commission	10,064	9,274
Bonuses	46,650	33,822
Employer's contribution to pension schemes/annuity plans	708	411
	<b>57,422</b>	<b>43,507</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 63. HIGHEST PAID INDIVIDUALS (continued)

Bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2015 and 2014.

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	2015 Population	2014 Population
Emolument bands		
– HKD9,000,001 to HKD9,500,000	–	1
– HKD9,500,001 to HKD10,000,000	–	1
– HKD10,500,001 to HKD11,000,000	1	1
– HKD11,500,001 to HKD12,000,000	1	1
– HKD13,500,001 to HKD14,000,000	–	1
– HKD14,000,001 to HKD14,500,000	1	–
– HKD15,000,001 to HKD15,500,000	1	–
– HKD15,500,001 to HKD16,000,000	1	–
	<b>5</b>	<b>5</b>

## 64. SHARE OPTION/AWARD OF SUBSIDIARIES

### 2002 Share option scheme of HISGL

On 23 August 2002, the shareholders of Haitong International Securities Group Limited ("HISGL") approved the adoption of a share option scheme (the "2002 Share Option Scheme"), which was expired on 22 August 2012. A summary of the principal terms of the 2002 Share Option Scheme, as disclosed in accordance with the listing rules, is set out as follows:

The 2002 Share Option Scheme was adopted for the purpose of attracting, retaining and motivating talented employees to strive towards long-term performance targets set by HISGL and its subsidiaries and at the same time allowing the participants to enjoy the results of HISGL attained through their effort and contribution. Under the 2002 Share Option Scheme, options may be granted to any full time employees, executive and non-executive directors of HISGL or any of its subsidiaries or associates.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other share option schemes of HISGL shall not in aggregate exceed 10% of the total number of shares in issue as at the date of adoption of the 2002 Share Option Scheme (the "Scheme Mandate Limit") but HISGL may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of HISGL under the 2002 Share Option Scheme and any other share option schemes of HISGL shall not exceed 10% of the issued share capital of HISGL as at the date of approval by the shareholders of HISGL at general meetings where such limit is refreshed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### 2002 Share option scheme of HISGL (continued)

If refreshed, options previously granted under the 2002 Share Option Scheme and any other share option schemes of HISGL (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10% limit as refreshed.

Notwithstanding the aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other share option schemes of HISGL shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2002 Share Option Scheme and any other share option schemes of HISGL (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of HISGL's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of HISGL at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of HISGL, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of HISGL, or to any of their associates, in excess of 0.1% of the total number of shares of HISGL in issue at the date on which such grant is proposed by the directors of HISGL or with an aggregate value (based on the closing price of HISGL's shares at the date on which such grant is proposed by the directors of HISGL) in excess of HKD5 million, within any twelve-month period, are subject to shareholders' approval in advance at a general meeting of HISGL.

The offer of a grant of share options may be accepted within 30 days from the date of the offer upon payment of a consideration of HKD1 by the grantee. The exercise period of the share options granted is determinable by the directors of HISGL, and such period shall commence not earlier than six months from the date of grant of the options and expire not later than ten years after the date of grant of the options. The vesting period of the share options is from the date of the grant until the commencement of the exercise period. All share options under the 2002 Share Option Scheme are subject to a six-month vesting period.

The exercise price of the share options is determinable by the directors of HISGL, and shall be at least the highest of (i) the closing price of HISGL's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of HISGL's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of HISGL's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of HISGL.

The 2002 Share Option Scheme expired on 22 August 2012. However, the share options granted under the 2002 Share Option Scheme prior to its expiry are still exercisable pursuant to the terms of this scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### 2002 Share option scheme of HISGL (continued)

The following table discloses movements of share options granted to the directors and employees of HISGL under HISGL's 2002 Share Option Scheme during the year:

	2015		2014	
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000
At beginning of the year	4.54	27,093	4.58	29,988
Adjusted during the year <sup>1</sup>	2.90	5,052	4.53	167
Exercised during the year	4.31	(19,441)	4.33	(602)
Forfeited during the year	4.22	(42)	4.77	(2,460)
At end of the year	2.91	12,662	4.54	27,093

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

Number of options '000	Exercise price <sup>1</sup> HKD per share	Exercise period
<b>31 December 2015</b>		
2,884	3.356	1 June 2008 to 31 May 2016
9,778	2.769	3 March 2011 to 2 March 2019
<b>12,662</b>		
<b>31 December 2014</b>		
9,999	5.098	1 June 2008 to 31 May 2016
17,094	4.208	3 March 2011 to 2 March 2019
<b>27,093</b>		

1 The exercise price of the share option is subject to adjustment in case of rights or bonus issues, or other similar changes in HISGL's share capital.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### 2002 Share option scheme of HISGL (continued)

No new share options were granted for the years ended 31 December 2015 and 31 December 2014.

As at 31 December 2015, 19,441,009 (31 December 2014: 602,000) share options were exercised resulting in issuance of 19,441,009 ordinary shares of the Company with new share capital of HKD1,944,000 (31 December 2014: HKD60,200) and share premium of HKD84,026,000 (31 December 2014: HKD2,544,000) (before issuing expenses).

As at 31 December 2015, HISGL had 12,662,655 (2014: 27,092,802) share options outstanding under the 2002 Share Option Scheme, which represented approximately 0.24% (2014: 1.24%) of HISGL' shares in issue as at that date.

The exercise in full of the remaining share options would, under the present capital structure of HISGL, result in the issue of 12,662,655 (2014: 27,092,802) additional ordinary shares of HISGL and additional share capital of HKD1,266,000 (2014: HKD2,709,280) and share premium of HKD35,490,000 (2014: HKD120,195,977) (before issue expenses).

At the date of approval of these consolidated financial statements, HISGL had 12,662,655(2014: 26,894,802) share options outstanding under the 2002 Share Option Scheme, which represents approximately 0.24% (2014: 1.23%) of the Company's shares in issue at that date.

### 2015 Share option scheme of HISGL

On 8 June 2015, the shareholders of HISGL approved the adoption of a new share option scheme (the "2015 Share Option Scheme"). The 2015 Share Option Scheme was also approved by the shareholders of Haitong Securities Co., Ltd., the holding company of HTIH, the controlling shareholder of HISGL, and Listing Committee of The Stock Exchange of Hong Kong Limited on 8 June 2015 respectively and 12 June 2015 respectively. A summary of the principal terms of the 2015 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

The 2015 Share Option Scheme was adopted to attract, retain and motivate talented employees to strive towards long term performance targets set by HISGL and to provide them with an incentive to work better for the interest of HISGL after the expiry of its existing 2002 Share Option Scheme on 22 August 2012. Under the 2015 Share Option Scheme, share options could be granted to any full time or part-times employees, executive and non-executive (whether independent or not) directors of the HISGL who in the absolute opinion of the Board, have contributed to HISGL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### 2015 Share option scheme of HISGL (continued)

The maximum number of shares of HISGL (the “Shares”) which may be issued upon exercise of all options to be granted under the 2015 Share Option Scheme and any other share option schemes shall not in aggregate exceed 212,924,439 shares, representing approximately 10% of the issued shares of HISGL as at 30 November 2014, being the date of tentative approval of the 2015 Share Option Scheme by the management of the HISGL.

Notwithstanding the aforesaid in previous paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other share option schemes of HISGL shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

As at the date of this report, the total number of shares available for issue under the 2015 Share Option Scheme was 212,924,439 shares, which represented approximately 4.03% of the issued share capital of the HISGL at that day.

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2015 Share Option Scheme and any other share option schemes of HISGL (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of HISGL’s shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of HISGL at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of HISGL, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of HISGL, or to any of their associates, in excess of 0.1% of the total number of shares of HISGL in issue at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of HISGL’s shares at the date on which such grant is proposed by the directors) in excess of HKD5 million, within any twelve-month period, are subject to shareholders’ approval in advance at a general meeting of HISGL.

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HKD1 by the grantee. The exercise period of the share options granted is determinable by the directors of HISGL and notified by the directors HISGL to each participant as being the period during which an option may be exercised, and in any event such period of time shall not exceed a period of 5 years commencing on the Offer Date and expire on the last day of such period. The 2015 Share Option Scheme does not stipulate any performance target which needs to be achieved by the participant who accepts the offer of share options (the “Grantee”) before the share options can be exercised. In order to sustain a long-term employment relationship between HISGL and the grantee(s), grantees must hold their share options for a holding period of not less than 6 months from the date of acceptance of the offer by the Grantee, before the share options can be exercised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### 2015 Share option scheme of HISGL (continued)

The exercise price of the share options is determinable by the directors, and shall be at least the highest of (i) the price equal to 110% of the closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of HISGL's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at 31 December 2015, no share option has been granted under 2015 Share Option Scheme.

### Share award scheme of HISGL

On 19 December 2014, the Board of directors of HISGL (the "HISGL Board") adopted a 10-year share award scheme (the "Scheme") to incentivise selected employees and directors ("Selected Participants") for their contributions to HISGL and to attract suitable personnel for further development of HISGL.

Pursuant to the Scheme, the ordinary shares of HKD0.1 each in the capital of HISGL will be acquired by the trustee at the cost of HISGL and will be held in trust for the Selected Participants before vesting. The total number of Shares granted under the Scheme shall be limited to 10% of the total issued share capital of HISGL as at 19 December 2014 (the "Adoption Date") or such other percentage as determined by the HISGL Board from time to time.

No award of the Shares shall be granted to any single Selected Participant which would result in the maximum number of awarded Shares under the Scheme in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued share capital of HISGL as at the Adoption Date.

The HISGL Board has delegated the power and authority to the Administration Committee of HISGL to handle operational matters of the Scheme but all major decisions in relation to the Scheme shall be made by the HISGL Board unless expressly provided for in the scheme rules pursuant to the Scheme or the HISGL Board resolves to delegate such power to the Administration Committee

Pursuant to the scheme rules, HISGL Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each Participant determined by HISGL Board and recommended by the Remuneration Committee from time to time) select any participant for participation in the Scheme as a Selected Participant and determine the number of awarded shares, upon the recommendation of the Remuneration Committee.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### Share award scheme of HISGL (continued)

After the selection of the Selected Participant(s) and the determination of the number of awarded Shares by HISGL Board, the Administration Committee shall inform the trustee accordingly. The Administration Committee shall also inform the Selected Participant(s) by award notice. Provided that the respective Selected Participant(s) has (have) executed the relevant acceptance form(s) and returned the same together with a counterpart of the award notice(s) to the trustee through HISGL within the period prescribed in the award notice(s), HISGL shall during the award period pay or cause to be paid to the trustee for purchasing the awarded Shares ("Reference Amount").

After receiving the Reference Amount, the Trustee shall apply the same towards the purchase of awarded Shares in the market through a broker at the prevailing market price on the Stock Exchange pursuant to the Scheme Rules and HISGL would recognise as treasury shares in the statement of changes in equity.

The Administration Committee shall conduct a review of the performance conditions (if any) in relation to each Selected Participant at least once in each financial year during the award period if the award period is more than 12 months or once only during the award period if the award period is less than 12 months. The awarded Shares will be vested if the Selected Participant is able to meet the relevant performance conditions during the relevant period, or lapse if the Selected Participant is unable to meet the relevant performance conditions during the relevant period.

A Selected Participant shall not exercise or direct the trustee to exercise and the trustee shall not exercise the voting rights in respect of any Awarded Shares held under the trust.

During the year, no share award has been granted HISGL.

### Share option scheme of UT Capital

The Group's wholly owned subsidiary, UT Capital adopted a share option incentive scheme on 27 May 2014, which was valid and effective for a period of five years commencing from the date of adoption. According to the scheme, the eligible participants include directors, senior management, key operational managerial personnel and key technical or business personnel of UT Capital, and its subsidiaries as determined by the board of directors of UT Capital, the total number of which shall not exceed 50. No more than 97,321,500 share options shall be granted to the participants under the scheme. As at 19 January 2015, the Board of UT Capital approved the share option scheme, under which 85,980,375 share options were granted to the eligible participants and 11,341,125 share options were reserved. As at 31 December 2015, no share option were exercised under the scheme.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 65. OTHER EMPLOYEE BENEFITS

### Pension and health care benefits in relation to Haitong Bank

In compliance with the collective labor agreement (ACT) for the banking sector established with the unions, the Bank undertook the commitment to grant its employees, or their families, pension on retirement and disability, and widows' pension. Pension payments consist of a rising percentage based on years of service, applicable to each year's negotiated salary table for the active work force. Only employees hired before 31 March 2008 are covered by this benefit. Employees hired after that date are covered by the Portuguese Social Security Scheme.

The pension funds in Portugal are managed by Grupo Novo Banco Fundo de Pensões, S.A..

In accordance with the accounting policy defined in Note 3 – Employee Benefits, the Group calculates its pension liabilities and its actuarial gains and losses on an annual basis.

The main assumptions used to calculate the liabilities can be analysed as below. As Haitong Bank is acquired on 7 September 2015, no information for 2014 is presented.

	<b>Assumption 2015/12/31</b>
Financial assumptions	
Expected return rate	2.5%
Discount rate	2.5%
Pension increase rate	0.5%
Salary increase rate	1%
Demographic Assumptions and Valuation Methods Mortality table	
Men	TV 73/77 – 2 years
Women	TV 88/90 – 3 years
Actuarial valuation method	<b>Project Unit Credit Method</b>

No decreases by disability are considered for calculating the liabilities. The discount rate used as at 31 December 2015 was based on: (i) evolution of the main indicators associated with high quality corporate bonds and (ii) the duration of liabilities.

The participants in the pension plan are categorised as follows:

	<b>2015/12/31</b>
Active workers	189
Retired	22
Survivors	7
<b>Total</b>	<b>218</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 65. OTHER EMPLOYEE BENEFITS (continued)

### Pension and health care benefits in relation to Haitong Bank (continued)

The application of IAS 19 reflects to the following liabilities and coverage levels reportable as at 31 December 2015:

	<b>2015/12/31</b> <b>RMB'000</b>
Net assets (liabilities) recognised in the statement of financial position	
Liabilities at 31 December, 2015	
Pensioners	50,382
Active workers	451,558
<b>Balance of the Funds at 31 December, 2015</b>	<b>501,940</b>
Excess of coverage/contributions to the fund	–
Deferred past services costs (curtailments)	–
<b>Assets (liabilities) in the statement of financial position</b>	<b>–</b>
<b>Accumulated actuarial gains/losses recognised in other comprehensive income</b>	<b>194,024</b>

The reconciliation of the liabilities with pensions and health benefits can be analysed as follows:

	<b>2015</b> <b>RMB'000</b>
Liability at the date of acquisition of Haitong Bank	453,147
Current service cost	8,820
Interests cost	11,282
Participants contributions	901
Actuarial gains and losses	
– Change in the assumptions	28,437
– Experience gains and losses	34,191
Pensions paid by the fund	(1,902)
Transfers from liabilities	(32,936)
<b>Liability at the end of the period</b>	<b>501,940</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 65. OTHER EMPLOYEE BENEFITS (CONTINUED)

### Pension and health care benefits in relation to Haitong Bank (continued)

As at 31 December 2015, the sensibility analysis to changes in the actuarial assumptions, the following impacts would occur:

- A discount rate increase of 25 basis points would decrease liabilities in the amount of approximately EUR 3,863 thousand; a decrease of equal value would increase liabilities in the amount of approximately EUR 4,153 thousand;
- A salary and pension increase of 25 basis points would increase liabilities in the amount of approximately EUR 5,626 thousand; a decrease of equal value would decrease liabilities in the amount of approximately EUR 2,499 thousand;
- The use of mortality tables with a one-year increment would increase liabilities by an amount of about EUR 2,249 thousands; with a one-year decrease liabilities would reduce in the amount of approximately EUR 2,273 thousand.

The reconciliation of pension funds value for the periods ended 31 December 2015 and 2014 can be analysed as follows:

	<b>2015</b> <b>RMB'000</b>
Plan assets at the date of acquisition of Haitong Bank	<b>447,009</b>
Fair value of the fund	<b>(5,526)</b>
Group contributions	<b>94,394</b>
Participants contributions	<b>901</b>
Benefits paid	<b>(1,902)</b>
Transfers from liabilities	<b>(32,936)</b>
<b>Plan assets at the end of the period</b>	<b>501,940</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 65. OTHER EMPLOYEE BENEFITS (CONTINUED)

### Pension and health care benefits in relation to Haitong Bank (continued)

The pension funds assets can be analysed as follows:

	<b>% Portfolio 2015/12/31</b>
Bonds	55.30%
Shares	26.70%
Alternative investment	2.60%
Real estate	1.90%
Liquidity	13.50%
<b>Total</b>	<b>100.00%</b>

As at 31 December 2015, the funds did not invest any securities issued by Group's entities.

The reconciliation of actuarial gains/losses in the balance sheet can be analysed as follows:

	<b>2015 RMB'000</b>
Deferred actuarial gains (losses) as the acquisition date of Haitong Bank	116,744
Changes in the actuarial assumptions	28,437
Experience gains	48,843
<b>Deferred actuarial gains as at 31 December, 2015</b>	<b>194,024</b>

During the period the expenses incurred with pensions and health care benefits can be analysed as follows:

	<b>2015 RMB'000</b>
Current service cost	8,820
Interest (income (expenses))	-
Past service liability amortisation	2,157
<b>Expenses of the period</b>	<b>10,977</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 65. OTHER EMPLOYEE BENEFITS (CONTINUED)

### Pension and health care benefits in relation to Haitong Bank (continued)

From acquisition date and following the revision of IAS 19 – Employees Benefits, the income/expenses from interest became to be recognised by their net value under the interest (income/expense) and similar caption.

The evolution in net assets (liabilities) can be analysed for the periods ended 31 December 2015 and 2014, as follows:

	<b>2015</b> <b>RMB'000</b>
Opening balance	(6,137)
Charges of the period	(10,977)
Actuarial gains (losses) recognised in other comprehensive income	(77,280)
Group contributions	94,394
Deferred past services costs (curtailments) fully recognised in equity	–
<b>Closing balance</b>	<b>–</b>

The evolution in liabilities and balance of funds, as well as experience gains and losses over the past 5 years can be analysed as follows:

	<b>2015/12/31</b> <b>RMB'000</b>
Liabilities	501,940
Funds balances	501,940
<b>(Under) over funded liabilities</b>	<b>–</b>
Experience losses from liabilities	1,256
Experience losses from plan assets	47,588

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 65. OTHER EMPLOYEE BENEFITS (CONTINUED)

### Long-term service benefits

At 31 December 2015, the liabilities recognised by the Group and costs incurred related to long-term service benefits can be analysed as follows:

	2015/12/31 RMB'000
Liabilities at the date of acquisition of Haitong Bank	15,340
Charges of the period	1,469
Bonuses paid	(1,406)
Liabilities at the end of the period	<b>15,403</b>

The actuarial assumptions used to calculate the liabilities are presented for the calculation of pensions.

## 66. RELATED PARTY TRANSACTIONS

In addition to the joints and associates of the group set out in note 23 above, the name and the relationship of other related parties are set out as below:

Name of the related party	Relationship of the related party
BNP Paribas Investment Partners BE Holding SA	Holds more than 10% of the shares of the subsidiary
BNP Paribas (China) Limited	Note A
BNP Paribas Investment Partners Japan Ltd	Note A
BNP Paribas Investment Partners Singapore Ltd	Note A
BNP Paribas Wealth Management Bank	Note A
BNP Paribas Investment Partners Switzerland Ltd	Note A
BNP Paribas	Note A
BNP Paribas Investment Partners Hong Kong Ltd	Note A
Shinhan BNP Paribas Asset Management Co., Ltd.,	Note A
BNP Paribas Investment Ltd (Asia)	Note A
Shanghai Shengyuan Real-Estate (Group) Co., Ltd	Note A
China-Belgium Direct Equity Investment Fund	A fund managed by the Group

Note A: The subsidiary of the company which holds more than 10% of the shares of the Group's subsidiary.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 66. RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to the transactions and balances set out in note 62 above, the Group had the following material transactions with the related parties for the year ended 31 December 2015 and 31 December 2014:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Interest income:		
– Shanghai Equity Investment Fund Limited Partnership	203	3
– Shanghai Shengyuan Real Estate (Group) Co. Ltd.	8,255	–
– Others ( <i>Note</i> )	164	37

*Note:* Others include Shanghai Cultural Industries Investment Fund (Limited Partnership), Xi'an Aerospace and New Energy Industry Fund, Jilin Modern Agricultural and Emerging Markets Investment Fund Limited, Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership), Xi'an Hai Chuang Zhi Xing Venture Investment Limited Partnership and China-Belgium Direct Equity Investment Fund.

Commission and fee income:		
– Shanghai Equity Investment Fund Limited Partnership	85,223	22,249
– Xi'an Aerospace and New Energy Industry Fund	20,034	20,000
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	20,057	20,000
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	46,089	43,702
– Fullgoal Fund Management Co. Ltd.	127,836	841
– Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)	5,880	757
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	11,940	–
– China-Belgium Direct Equity Investment Fund	127,565	63,782
– Entities related to BNP Paribas ( <i>Note A</i> )	43,074	45,729
– Others ( <i>Note B</i> )	2	–

*Note A:* Entities related to BNP Paribas include BNP Paribas Investment Partners BE Holding SA, BNP Paribas (China) Limited, BNP Paribas Investment Partners Japan Ltd, BNP Paribas Investment Partners Singapore Ltd, BNP Paribas Wealth Management Bank, BNP Paribas Investment Partners Switzerland Ltd, BNP Paribas, BNP Paribas Investment Partners Hong Kong Ltd, Shinhan BNP Paribas Asset Management Co., Ltd., and BNP Paribas Investment Ltd (Asia).

*Note B:* Others include Xi'an Hai Chuang Zhi Xing Venture Investment Limited Partnership.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 66. RELATED PARTY TRANSACTIONS (CONTINUED)

	<b>2015</b>	2014
	<b>RMB'000</b>	<i>RMB'000</i>
Option investment income:		
– BNP Paribas SA	<b>350</b>	–
Bonds transaction:		
– BNP Paribas (China) Ltd	<b>80,322</b>	30,296
Interest expense:		
– Shanghai Equity Investment Fund Limited Partnership	<b>(5,542)</b>	–
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	<b>(747)</b>	(19,052)
– Xi'an Aerospace and New Energy Industry Fund	<b>(140)</b>	(982)
– Entities related to BNP Paribas	<b>(27)</b>	–
– Others ( <i>Note</i> )	<b>(32)</b>	(42)
<i>Note:</i> Others include Fullgoal Fund Management Co. Ltd.		
Administration expense:		
– Fullgoal Fund Management Co. Ltd.	<b>(3,112)</b>	–
– Entities related to BNP Paribas	<b>(2,155)</b>	(1,397)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 66. RELATED PARTY TRANSACTIONS (CONTINUED)

	2015/12/31 RMB'000	2014/12/31 RMB'000
Accounts receivable from:		
– Fullgoal Fund Management Co. Ltd.	764	–
– China-Belgium Direct Equity Investment Fund	38,000	26,040
– Entities related to BNP Paribas	7,390	13,256
Interest receivable from:		
– Shanghai Shengyuan Real Estate (Group) Co., Ltd.	277	–
Financial assets held under resale agreements:		
– Shanghai Shengyuan Real Estate (Group) Co., Ltd.	91,199	–
Accounts payable to:		
– Entities related to BNP Paribas	(629)	(553)
Interest payable to:		
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	–	(7,940)
Financial assets sold under repurchase agreements:		
– Xi'an Aerospace and New Energy Industry Fund	(80,000)	–
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	(189,000)	(72,700)
Accounts payable to brokerage clients:		
– Fullgoal Fund Management Co. Ltd.	(477)	–

The remuneration of the key management personnel of the Group was as follows:

	2015 RMB'000	2014 RMB'000
Short-term benefits:		
– Fees, salaries, commission and bonuses	31,424	37,634
Post-employment benefits:		
– Employer's contribution to pension schemes/annuity plans	3,817	3,260
Total	35,241	40,894

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 67. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2015/12/31 <i>RMB'000</i>	2014/12/31 <i>RMB'000</i>
Non-current assets		
Property and equipment	1,125,245	1,109,073
Investment properties	19,254	20,455
Other intangible assets	186,350	157,421
Investments in subsidiaries	21,266,156	16,111,180
Investments accounted for using equity method	92,907	92,907
Available-for-sale investments	23,170,776	6,694,004
Other loans and receivables	–	803,000
Deferred tax assets	1,166,492	400,299
Other assets	41,990	48,993
Financial assets held under resale agreements	15,422,426	9,017,835
<b>Total non-current assets</b>	<b>62,491,596</b>	<b>34,455,167</b>
Current assets		
Advances to customers on margin financing	60,508,389	56,758,373
Accounts receivable	170,700	387,905
Other receivables and prepayments	1,585,215	1,431,054
Amount due from a subsidiary	1,176,129	1,002,019
Available-for-sale investments	2,931,879	3,414,042
Other loans and receivables	5,194,410	1,302,450
Financial assets held under resale agreements	53,513,878	47,966,639
Placements to banks and other financial institutions	–	2,000,000
Financial assets at fair value through profit or loss	63,486,602	35,738,871
Derivative financial assets	89,851	44,514
Deposits with exchanges	873,049	810,395
Clearing settlement funds	15,157,548	13,907,806
Bank balances and cash	117,906,499	63,865,253
<b>Total current assets</b>	<b>322,594,149</b>	<b>228,629,321</b>
<b>Total assets</b>	<b>385,085,745</b>	<b>263,084,488</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 67. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	2015/12/31 RMB'000	2014/12/31 RMB'000
Current liabilities		
Borrowings	485,075	–
Short-term financing bills payables	21,701,940	23,626,586
Placements from other financial institutions	1,500,000	14,270,000
Accounts payable to brokerage clients	91,853,662	59,430,651
Other payables and accruals	8,632,184	3,871,571
Amount due to a subsidiary	930,844	10,369
Provisions	–	2,493
Tax liabilities	2,570,429	368,412
Financial liabilities at fair value through profit or loss	5,044,213	1,603,773
Derivative financial liabilities	560,200	74,405
Financial assets sold under repurchase agreements	74,322,227	56,461,042
Bond Payable	8,927,553	–
<b>Total current liabilities</b>	<b>216,528,327</b>	<b>159,719,302</b>
Net current assets	106,065,822	68,910,019
<b>Total assets less current liabilities</b>	<b>168,557,418</b>	<b>103,365,186</b>
Equity		
Share capital	11,501,700	9,584,721
Capital reserve	56,486,199	32,472,480
Investment revaluation reserve	(254,162)	229,699
General reserves	13,538,067	9,483,332
Retained profits	19,240,690	12,924,206
<b>Total equity</b>	<b>100,512,494</b>	<b>64,694,438</b>
Non-current liabilities		
Deferred tax liabilities	244,045	702,435
Bond payables	59,646,178	22,976,963
Long-term borrowing	688,174	25,890
Financial assets sold under repurchase agreements	7,200,000	14,790,000
Other payables and accruals	266,527	175,460
<b>Total non-current liabilities</b>	<b>68,044,924</b>	<b>38,670,748</b>
<b>Total equity and non-current liabilities</b>	<b>168,557,418</b>	<b>103,365,186</b>

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2016 and signed on behalf by:

**WANG Kaiguo**

*Chairman of Board*

**QU Qiuping**

*Executive Director and  
General Manager*

**LI Chuqian**

*Chief Financial Officer*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 67. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital RMB'000	Capital Reserve RMB'000	Investment revaluation reserve RMB'000 (Note a)	General Reserve RMB'000	Retained Profit RMB'000	Total RMB'000
At 1 January 2015	9,584,721	32,472,480	229,699	9,483,332	12,924,206	64,694,438
Profit for the year	-	-	-	-	13,246,644	13,246,644
Other comprehensive income (expense) for the year	-	-	(483,861)	-	-	(483,861)
Total comprehensive income (expense) for the year	-	-	(483,861)	-	13,246,644	12,762,783
Ordinary shares of the owner (or shareholder)	1,916,979	24,013,719	-	-	-	25,930,698
Appropriation to general reserves	-	-	-	4,054,735	(4,054,735)	-
Cash dividend recognised as distribution (Note 61)	-	-	-	-	(2,875,425)	(2,875,425)
At 31 December 2015	11,501,700	56,486,199	(254,162)	13,538,067	19,240,690	100,512,494
At 1 January 2014	9,584,721	32,472,480	55,424	7,779,880	10,204,761	60,097,266
Profit for the year	-	-	-	-	5,573,063	5,573,063
Other comprehensive income (expense) for the year	-	-	174,275	-	-	174,275
Total comprehensive income (expense) for the year	-	-	174,275	-	5,573,063	5,747,338
Appropriation to general reserves	-	-	-	1,703,452	(1,703,452)	-
Cash dividend recognised as distribution (Note 61)	-	-	-	-	(1,150,166)	(1,150,166)
At 31 December 2014	9,584,721	32,472,480	229,699	9,483,332	12,924,206	64,694,438

Note a: Capital reserve of the Group represents primarily the share premium arisen from the issuance of the Company's shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 68. SEGMENT REPORTING

Information reported to the chief operating decision maker (the “CODM”), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group’s basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offers different products and serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group’s reportable and operating segments are as follows:

- (a) the brokerage segment engages in the trading of equities, bonds, funds, and warrants, as well as futures on behalf of the customers, and also providing margin financing and securities lending services (the “Securities and futures brokerage” segment);
- (b) the assets management segment mainly offers traditional asset management products and services, private equity asset management business (the “Asset management business” segment) through the Company and qualified subsidiaries in mainland China;
- (c) the proprietary trading segment engages in trading of equities, bonds, funds, derivative and other financial products (the “Proprietary trading” segment) through the Company and qualified subsidiaries in mainland China;
- (d) the investment banking segment provides corporate finance services, including equity underwriting, debt underwriting and financial advisory services to institutional clients (the “Investment banking” segment);

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 68. SEGMENT REPORTING (CONTINUED)

- (e) the direct investment segment makes direct equity investments in private companies and earns capital gains by exiting from these private equity investments through IPOs or share sales, or receives dividends from these portfolio companies. In addition, the Group invests in private equity funds (the “Direct investment” segment);
- (f) the headquarters and others segment mainly represents head office operations, investment holding as well as interest income and interest expense incurred for general working capital purpose (the “Headquarters and others” segment);
- (g) The finance lease segment mainly represents the finance lease operation in mainland China through Haitong UT Capital, which is a wholly owned subsidiary of the Group (the “Finance Lease” segment); and
- (h) the overseas operations segment mainly represents the business operation of overseas subsidiaries of the Company, which mainly engage in broking, margin financing, corporate advisory, placing and underwriting, trading and investment and financial planning and advisory services and banking services (the “Overseas operations” segment).

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the years ended 31 December 2014 and 2015.

Segment profit/loss represents the profit earned by/loss measured by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segment assets/liabilities are allocated to each segment, excluding investments in associates and joint ventures, deferred tax assets/liabilities. Inter-segment balances eliminations mainly include amount due from/to another segment arising from investing activities' carried out by a segment for another segment.

Share of result of associates and joint ventures are allocated to segment profit/loss while the corresponding investments in associates and joint ventures are not allocated to each segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 68. SEGMENT REPORTING (CONTINUED)

The segment information provided to the CODM for the operating and reportable segments for the years ended 31 December 2015 and 2014 is as follows:

### Operating and Reportable segment

#### For the year ended 31 December 2015

	Securities and futures brokerage	Asset management	Proprietary trading	Investment banking	Direct investment	Headquarters and others	Finance lease	Overseas operations	Segment total	Eliminations	Consolidated total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment revenue and results</b>											
<b>Revenue</b>											
- External	26,031,160	3,449,572	6,688,034	1,851,329	899,913	4,294,911	1,986,696	5,990,171	51,191,786	-	51,191,786
- Inter-segment	1,797,981	119,059	157,477	11,572	69,032	3,255,365	-	85,863	5,496,349	(5,496,349)	-
Other income and gains	46,499	9,640	2,899,033	1,378	5,820	526,012	678,992	(73,607)	4,093,767	-	4,093,767
Segment revenue	27,875,640	3,578,271	9,744,544	1,864,279	974,765	8,076,288	2,665,688	6,002,427	60,781,902	(5,496,349)	55,285,553
Segment expenses	16,555,793	1,806,550	4,212,410	820,737	202,768	9,075,184	2,002,258	3,937,510	38,613,210	(3,965,081)	34,648,129
Segment result	11,319,847	1,771,721	5,532,134	1,043,542	771,997	(998,896)	663,430	2,064,917	22,168,692	(1,531,268)	20,637,424
Share of results of associates and joint ventures	-	-	-	-	199,164	324,135	-	(41,854)	481,445	-	481,445
Profit before income tax	11,319,847	1,771,721	5,532,134	1,043,542	971,161	(674,761)	663,430	2,023,063	22,650,137	(1,531,268)	21,118,869
<b>Segment assets and liabilities</b>											
Segment assets	162,792,512	24,948,469	53,228,101	987,272	12,084,548	199,975,530	34,004,494	116,059,407	604,080,333	(35,284,191)	568,796,142
Investments accounted for using equity method											5,136,607
Deferred tax assets											2,516,143
<b>Group's total assets</b>											576,448,892
Segment liabilities	199,506,305	20,007,095	23,482,510	1,039,009	3,127,673	86,735,769	28,786,978	107,398,679	470,084,018	(11,228,706)	458,855,312
Deferred tax liabilities											665,909
<b>Group's total liabilities</b>											459,521,221
<b>Other segment information</b>											
<i>Amounts included in the measure of segment profit or loss:</i>											
Depreciation and amortization	120,345	15,158	4,710	4,834	345	106,685	4,354	43,531	299,962	-	299,962
Impairment losses of available- for-sale investments	-	82,539	-	-	76,100	-	-	9,956	168,595	-	168,595
Impairment losses of loans & receivables	82,726	16,211	66,575	1,937	-	(8,124)	701,246	61,648	922,219	-	922,219
Interest income	10,027,273	508,103	583,970	181	17,843	3,571,261	1,933,427	1,679,979	18,322,037	-	18,322,037
Interest expenses	6,474,940	43,992	723,908	-	51,707	3,462,655	925,217	1,884,024	13,566,443	-	13,566,443

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 68. SEGMENT REPORTING (CONTINUED)

### Operating and Reportable segment (continued)

For the year ended 31 December 2014

	Securities and futures brokerage RMB'000	Asset management RMB'000	Proprietary trading RMB'000	Investment banking RMB'000	Direct investment RMB'000	Headquarters and others RMB'000	Finance lease RMB'000	Overseas operations RMB'000	Segment total RMB'000	Consolidated Eliminations RMB'000	total RMB'000
<b>Segment revenue and results</b>											
<b>Revenue</b>											
- External	9,723,069	1,877,689	3,718,193	1,327,370	306,232	2,048,031	1,446,860	2,477,359	22,924,803	-	22,924,803
- Inter-segment	694,121	85,288	15,817	10,777	103	1,527,773	-	85,628	2,419,507	(2,419,507)	-
Other income and gains	31,885	16,398	322,775	821	8,013	121,654	274,553	(34,036)	742,063	-	742,063
Segment revenue	10,449,075	1,979,375	4,056,785	1,338,968	314,348	3,697,458	1,721,413	2,528,951	26,086,373	(2,419,507)	23,666,866
Segment expenses	(6,244,168)	(834,915)	(1,050,903)	(716,917)	(65,302)	(3,796,040)	(1,204,277)	(1,646,309)	(15,558,831)	2,145,025	(13,413,806)
Segment result	4,204,907	1,144,460	3,005,882	622,051	249,046	(98,582)	517,136	882,642	10,527,542	(274,482)	10,253,060
Share of results of associates and joint ventures	-	164	-	-	22,095	105,107	-	39,968	167,334	-	167,334
Profit before income tax	4,204,907	1,144,624	3,005,882	622,051	271,141	6,525	517,136	922,610	10,694,876	(274,482)	10,420,394
<b>Segment assets and liabilities</b>											
Segment assets	193,229,661	18,910,411	40,533,045	995,734	5,187,520	168,733,890	22,899,516	45,379,132	495,868,909	(149,499,718)	346,369,191
Investments accounted for using equity method											5,686,141
Deferred tax assets											566,817
<b>Group's total assets</b>											352,622,149
Segment liabilities	187,926,781	14,974,176	34,058,526	374,576	360,892	111,167,072	18,073,648	44,207,687	411,143,358	(131,543,609)	279,599,749
Deferred tax liabilities											758,197
<b>Group's total liabilities</b>											280,357,946
<b>Other segment information</b>											
<i>Amounts included in the measure of segment profit or loss:</i>											
Depreciation and amortization	127,129	14,195	4,457	4,929	433	101,787	4,668	26,706	284,304	-	284,304
Impairment losses of available- for-sale investments	-	-	-	-	-	200	-	-	200	-	200
Impairment losses of loans & receivables	172,928	466	-	134	-	(21,291)	270,905	-	423,142	-	423,142
Interest income	3,569,040	300,815	116,077	496	30,623	1,378,073	1,428,656	876,191	7,699,971	-	7,699,971
Interest expenses	1,613,335	121,045	479,732	(10,778)	6,300	961,509	660,878	508,168	4,340,189	-	4,340,189

The Group operates mainly in three principal geographical areas, the mainland China (excluding Hong Kong) and Hong Kong, representing the location of majority of the income from external customers and non-current assets of the Group and Europe (the operation area of newly Group's acquired subsidiary in 2015). Segment revenue and non-current assets in respect of overseas operations segment are substantially attributable to Hong Kong and Europe. The remaining segment revenue and non-current assets are attributable to the mainland China. No single customers contribute more than 10% of income to the Group's income for the years ended 31 December 2014 and 2015.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 69. MATURITY PROFILE OF ASSETS AND LIABILITIES

An analysis of the maturity profile of certain assets and liabilities of the Group based on the remaining contractual maturity as at 31 December 2015 and 2014 is as follows:

	Repayable on demand RMB'000	Less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
<b>As at 31 December 2015</b>					
<b>Assets</b>					
Advances to customers on margin financing	–	76,324,967	–	–	76,324,967
Bank balances and cash (including restricted bank deposits)	144,134,867	19,528,726	237,634	–	163,901,227
Clearing settlement funds (client money)	14,211,926	–	–	–	14,211,926
Financial assets held under resale agreements	934,050	59,311,720	17,223,078	–	77,468,848
Placements to banks and other financial institutions	–	184,334	–	–	184,334
Debt securities classified as:					
Financial assets at fair value through profit or loss	–	8,912,072	24,236,498	7,112,068	40,260,638
Available-for-sale investments	–	1,124,190	2,155,159	860,354	4,139,703
Held-to-maturity investments	–	4,986	77,747	–	82,733
Other loan and receivables	180,439	13,243,887	4,768,075	–	18,192,401
Finance lease receivables	–	9,921,752	17,455,512	16,623	27,393,887
Loans and advances	486,532	1,512,175	1,653,485	3,673,084	7,325,276
Deposits with central banks	831,672	3,213	–	–	834,885
Deposits with other banks	276,425	–	–	–	276,425
	<b>161,055,911</b>	<b>190,072,022</b>	<b>67,807,188</b>	<b>11,662,129</b>	<b>430,597,250</b>
<b>Liabilities</b>					
Short-term borrowings	–	31,284,497	–	–	31,284,497
Financial assets sold under repurchase agreements	4,886,194	86,065,660	7,624,682	–	98,576,536
Short-term financing bills payables	–	22,336,951	–	–	22,336,951
Placements from banks and other financial institutions	–	1,512,362	5,362,201	385,789	7,260,352
Accounts payable to brokerage clients (money held on behalf of clients only)	129,026,336	–	–	–	129,026,336
Bonds Payable	–	10,793,748	85,802,967	4,002,693	100,599,408
Long-term borrowings	–	–	9,330,007	–	9,330,007
Long-term payables	–	–	2,335,708	500	2,336,208
Deposits from central banks	–	–	433,514	–	433,514
Deposits from other banks	2,668	–	–	–	2,668
Customer accounts	66,335	2,031,780	721,044	–	2,819,159
	<b>133,981,533</b>	<b>154,024,998</b>	<b>111,610,123</b>	<b>4,388,982</b>	<b>404,005,636</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 69. MATURITY PROFILE OF ASSETS AND LIABILITIES (CONTINUED)

	Repayable on demand <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	More than 1 year but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2014</b>					
<b>Assets</b>					
Advances to customers on margin financing	–	64,883,359	–	–	64,883,359
Bank balances and cash (including restricted bank deposits)	71,788,511	14,086,573	213,000	–	86,088,084
Clearing settlement funds (client money)	13,537,613	–	–	–	13,537,613
Financial assets held under resale agreements	–	52,873,455	10,292,634	–	63,166,089
Placements to banks and other financial institutions	–	2,000,000	–	–	2,000,000
Debt securities classified as:					
Financial assets at fair value through profit or loss	–	3,158,081	17,724,521	10,478,574	31,361,176
Available-for-sale investments	–	66,463	2,847,701	998,073	3,912,237
Held-to-maturity investments	–	3,006	309,816	–	312,822
Other loans and receivables	–	3,347,033	4,470,404	–	7,817,437
Finance lease receivables	200,877	7,198,196	12,826,396	–	20,225,469
	<b>85,527,001</b>	<b>147,616,166</b>	<b>48,684,472</b>	<b>11,476,647</b>	<b>293,304,286</b>
<b>Liabilities</b>					
Short-term borrowings	1,006,000	18,801,574	–	–	19,807,574
Financial assets sold under repurchase agreements	–	59,807,864	14,910,000	–	74,717,864
Short-term financing bills payables	–	22,926,586	–	–	22,926,586
Placements from banks and other financial institutions	–	14,270,000	–	–	14,270,000
Accounts payable to brokerage clients (money held on behalf of clients only)	80,766,843	–	–	–	80,766,843
Bonds Payable	–	–	32,602,151	3,173,516	35,775,667
Long-term borrowings	–	–	4,537,684	–	4,537,684
Long-term payables	–	–	1,941,119	–	1,941,119
	<b>81,772,843</b>	<b>115,806,024</b>	<b>53,990,954</b>	<b>3,173,516</b>	<b>254,743,337</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 70. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2015		2014		2015 Total RMB'000	2014 Total RMB'000
	Banking RMB'000	Non banking RMB'000	Banking RMB'000	Non banking RMB'000		
Loans and receivables	12,505,167	364,049,046	–	248,971,142	376,554,213	248,971,142
Finance lease receivables	–	27,393,887	–	20,225,469	27,393,887	20,225,469
Available-for-sale investments	3,165,694	41,324,657	–	12,705,394	44,490,351	12,705,394
Held-to-maturity investments	–	82,733	–	312,822	82,733	312,822
Financial assets at fair value through profit or loss	9,661,653	104,206,920	–	57,800,437	113,868,573	57,800,437
<b>Total</b>	<b>25,332,514</b>	<b>537,057,243</b>	<b>–</b>	<b>340,015,264</b>	<b>562,389,757</b>	<b>340,015,264</b>
Amortised cost	15,471,624	399,001,486	–	251,619,239	414,473,110	251,619,239
Financial liabilities at fair value through profit or loss	4,390,108	30,353,620	–	16,036,610	34,743,728	16,036,610
<b>Total</b>	<b>19,861,732</b>	<b>429,355,106</b>	<b>–</b>	<b>267,655,849</b>	<b>449,216,838</b>	<b>267,655,849</b>

## 71. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include equity and debt investments, loans and advances, advances to customers on margin financing, accounts receivable, other loan and receivables, held-to-maturity investments, finance lease receivables, derivatives financial assets, placements to banks and other financial institutions, other receivables and prepayment, financial assets held under resale agreements, deposit with exchange, clearing settlement funds, bank balances and cash, restricted bank deposits, borrowings, financial assets sold under repurchase agreements, accounts payable to brokerage clients and other payables and accruals. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk

#### *Credit risk of business other than banking*

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The tables below show the maximum credit risk exposure of the Group, being the carrying amount of the respective recognised financial assets before the effect of mitigation through the use of collateral.

	2015/12/31 RMB'000	2014/12/31 RMB'000
Advances to customers on margin financing	76,324,967	64,883,359
Accounts receivable	4,325,832	4,384,354
Other receivables and prepayments	2,844,207	2,453,972
Other loan and receivables	18,192,401	7,817,437
Held-to-maturity investments	82,733	312,822
Finance lease receivables	27,393,887	20,225,469
Available-for-sale debt investments	1,176,007	1,814,512
Financial assets held under resale agreements	75,832,892	63,166,089
Placements to banks and other financial institutions	–	2,000,000
Financial assets at fair value through profit or loss	33,155,794	31,361,176
Deposits with exchanges	5,355,227	5,540,449
Clearing settlement funds	15,747,116	14,818,876
Bank balances and cash	163,190,720	85,703,269
Restricted bank deposits	710,007	384,473
Derivative financial assets	879,763	642,211
Maximum credit exposure	<b>425,211,553</b>	305,508,468

Credit exposures arise principally from investments in debt securities, advances to customers on margin financing, accounts receivable, placements to banks and other financial institutions, finance lease receivables, clearing settlement funds and bank balances which are included in the Group's asset portfolios.

Credit exposure arising from investments in debt securities and fixed-yield trust products include downgrading of credit rating of the debt securities and/or of its underlying issuers and default of payments by the issuers. The Group has implemented a policy not to invest in debt securities with ratings below A-3 (short-term) and BBB (mid and long term). Management also closely monitors the credit ratings of respective debt securities on a regular basis and the financial soundness of the underlying issuers.

Credit exposure arising from bank products is considered to be limited as the Group only invest in low-risk bank products issued by state-owned banks and large commercial banks.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### **Credit risk (continued)**

#### ***Credit risk of business other than banking (continued)***

The Group provides clients with margin financing for securities transactions and securities lending to clients, which are secured by clients' securities or deposits held as collateral. Management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Each client has a maximum credit limit based on the quality of collateral held and the financial background of the client. In addition, the Group reviews the recoverable amount of each client regularly to ensure that adequate impairment losses are made for irrecoverable amounts. Margin calls are made when the trades of margin clients exceed their respective limits. Any such excess is required to be made good within the next trading day. Failure to meet margin calls may result in the liquidation of the client's positions. The Group seeks to maintain strict control over its outstanding receivables.

As at 31 December 2015, Advances to customers on margin financing are secured and/or backed by guarantee. Credit limits are set for borrowers. Apart from collateral monitoring, the Group seeks to maintain tight control over its loans and advances in order to minimise credit risk by reviewing the borrowers' or guarantors' financial positions.

The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management. Accounts receivable from cash clients who are neither past due nor impaired represent unsettled client trades on various securities exchanges transacted on the last two business days prior to the respective reporting date. Accounts receivable from cash clients which are past due but not impaired represent client trades on various securities exchanges which are unsettled beyond the settlement date. When the cash clients failed to settle on settlement date, the Group has a right to force-sell the collateral underlying the securities transactions. The outstanding accounts receivable from cash clients as at 31 December 2015 and 2014 are not considered to be impaired after taking into consideration the recoverability from collateral. Collateral held against such receivables are publicly traded securities.

The credit risk of the Group regarding finance lease receivables is that lessee fail to fulfil contractual obligations. The Group established standard policies and operational procedures and controls over finance lease activities, which include project due diligence and application, project review and approval, disbursement, post-lending monitoring and management of non-performing finance lease receivables etc. Through implementation of these standard policies and procedures, effective use of business information system and continuous optimising the portfolio of finance lease receivables, the Group is able to identify, monitor and manage its credit risk in its portfolio. Changes in economic environment or a particular industry may result in losses to the Group. The finance lease business activities are carried out in different regions of Mainland China with their unique economic characteristics. As a result, the management of Haitong UT Capital, a wholly-owned subsidiary of the Group, which mainly engages in finance leases business, monitors credit risk closely. Haitong UT Capital's business department, credit department, operation department, legal department and risk management department are responsible for monitoring credit risk and reporting to the Group's management periodically. The Group sets credit limit for each borrower and monitors the credit limit by regular review.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk (continued)

#### Credit risk of business other than banking (continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group's major credit exposures are with counterparties domiciled in the PRC as of 31 December 2015 and 31 December 2014.

#### Credit risk of Banking business

Credit risk represents the possibilities of the potential financial loss arising from the failure of a borrower or counterparty to honor its contractual obligation. Credit risk is essentially present in traditional banking products – loans, guarantees granted and contingent liabilities – and in trading products – swaps, forwards and options (counterparty risk).

Credit portfolio management is an ongoing process that requires the interaction between the various teams responsible for the risk management during the consecutive stages of the credit process. This approach is complemented by the continuous introduction of improvements in the methodologies, in the risk assessment and control tools.

The Haitong Bank's risk profile is periodically monitored, especially in what concerns the evolution of credit exposure and credit lines. Which are equally subject to daily analysis the observance of approved credit limits and the correct functioning of the mechanisms associated to credit approval.

Haitong Bank subgroup's credit risk exposure is analysed as follows:

	2015 RMB'000
Deposits with banks	276,425
Financial assets at fair value through profit and loss	7,113,291
Available-for-sale financial assets	3,165,712
Loans and advances to customers	7,325,276
Derivatives	2,548,418
Other	5,113,804
Guarantees granted	1,911,109
Irrevocable commitments	342,065
Credit risk associated to the credit derivatives reference entities	7
Total	27,796,107

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk

#### Liquidity risk of business other than banking

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from the market in the capacity of a financial institution, and the ability to close out market positions. As part of the measures to safeguard liquidity, the Group has maintained substantial long-term and other stand-by banking facilities, diversifying the funding sources and spacing out the maturity dates.

#### Undiscounted cash flows by contractual maturities

The table below presents the cash flows payable by the Group under financial liabilities held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows.

#### As at 31 December 2015

	On Demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	5 years and above RMB'000	Total RMB'000
Bank borrowings	-	2,190,464	30,366,259	9,898,525	-	42,455,248
Accounts payable to brokerage clients	129,026,336	-	-	-	-	129,026,336
Placements from other financial institutions	-	1,500,715	-	-	-	1,500,715
Financial assets sold under repurchase agreements	4,886,194	37,712,678	43,460,124	7,780,761	-	93,839,757
Other payables and accruals	3,658,052	137,235	984,455	105,555	51,078	4,936,375
Short-term financing bills payables	-	5,802,055	17,387,583	-	-	23,189,638
Bonds payable	-	817,609	6,828,530	101,960,997	4,346,335	113,953,471
Financial liabilities at fair value through profit or loss	17,684,940	683,154	4,473,389	6,188,371	-	29,029,854
Derivative financial liabilities	11,886	101,300	485,273	50,597	-	649,056
Long-term payables	-	-	-	2,335,708	500	2,336,208
	155,267,408	48,945,210	103,985,613	128,320,514	4,397,913	440,916,658

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Undiscounted cash flows by contractual maturities (continued)

As at 31 December 2014

	On Demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	5 years and above RMB'000	Total RMB'000
Bank borrowings	1,006,000	10,664,026	8,839,403	4,947,732	-	25,457,161
Accounts payable to brokerage clients	80,766,843	-	-	-	-	80,766,843
Placements from other financial institutions	-	14,447,248	-	-	-	14,447,248
Financial assets sold under repurchase agreements	-	25,062,310	37,596,373	15,188,916	-	77,847,599
Other payables and accruals	4,380,288	144,160	338,367	92,828	-	4,955,643
Short-term financing bills payables	-	10,100,046	13,380,246	-	-	23,480,292
Bonds payable	-	-	1,845,189	38,036,590	4,015,180	43,896,959
Financial liabilities at fair value through profit or loss	11,777,285	1,103,554	2,157,771	1,020,222	-	16,058,832
Long-term payables	-	-	-	1,941,119	-	1,941,119
	97,930,416	61,521,344	64,157,349	61,227,407	4,015,180	288,851,696

### Liquidity risk of Banking business

The liquidity risk of the banking business of the Group refers to the risk that the Bank was unable to obtain sufficient funds in a timely manner with a reasonable cost, so as not to repay the debts and other obligations on due and meet other funding needs of running business.

The operating fund of the bank is centrally managed by the financial department. Adhering to the "Prudent" philosophy on risk management from the Group, the Bank implemented the "Prudent" methods to manage liquidity risk and maintained sufficient fund to meet the funding needs in various periods. Haitong Bank kept monitoring and tracking the mismatch of the assets and liabilities position of the Bank constantly, to comply with "Prudent" philosophy on risk management

In addition, Haitong bank calculated the liquidity ratio according to the laws and regulations in Portugal.

Haitong Bank's liquidity gap up to 1 year improved, from EUR-848 million (equivalent to RMB-6,017 million), as at 31 December 2014, EUR477 million (equivalent to RMB3,556 million), as at 31 December 2015. This improvement was mainly due to the extension of the maturity profile that was achieved in the funding structure of the Bank in 2015. As at 31 December 2015, Haitong Bank achieved a 147% liquidity coverage ratio, above the minimum regulatory ratio.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in economic environment. Market risk comprises three types of risks: price risk, currency risk and interest rate risk.

The Group's exposures to market risk include price risk, interest rate risk and currency risk.

### Price risk

#### Price risk of business other than banking

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting equity instruments traded in the market.

The Group is exposed to price risk arising from individual equity investment classified as financial assets held for trading and available-for-sale investments. The directors of the Company manage the exposure by closely monitoring the portfolio of investments and have started hedging exposure by entering into derivatives contracts since 2010.

The Group have utilised the effect of stock price variation on net profit and revaluation reserve within the period, to manage and analyse the price risk. When reporting internally to the key management on risk, the management estimates that reasonable possible change in price is 10%. If the prices of the respective equity instruments had been 10% higher/lower, and held other variables constant, the impacts to the profit for the year and investment revaluation reserve are as follows:

	2015 RMB'000	2014 RMB'000
Profit for the year		
Increase by 10%	1,424,673	300,488
Decrease by 10%	(1,424,673)	(300,488)
Investment revaluation reserve		
Increase by 10%	36,189	13,016
Decrease by 10%	(36,189)	(13,016)

In the above analysis, management also considers the case of an available-for-sale equity investment that a reasonably possible downward fall in the equity price would lead the investment to be impaired, the effect of loss would be shown as affecting profit or loss and the cumulative loss previously recognised in investment revaluation reserve would be reclassified to profit or loss, but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Price risk (continued)

#### *Price risk of business other than banking (continued)*

In the case that an available-for-sale equity investment that has already been impaired, a reasonably possible downward fall in the equity price may continue to be recognised in profit or loss but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

In management's opinion, the sensitivity analysis is unrepresentative of inherent price risk as the year end exposure does not reflect the exposure during the year.

### Interest rate risk

#### *Interest rate risk of business other than banking*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to the Group's bank balances and cash, restricted bank deposits, advances to customers on margin financing, clearing settlement funds, deposits with exchanges, debt securities, placements to banks and other financial institutions and finance lease receivables. Management actively monitors the Group's net interest rate exposure through setting limits on the level of mismatch of interest rate repricing and duration gap and aims at maintaining an interest rate spread, such that the Group is always in a net interest-bearing asset position and derive net interest income.

Fluctuations of prevailing rate quoted by the People's Bank of China and Hong Kong Inter-bank Offered Rate are the major sources of the Group's cash flow interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

#### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate financial assets and liabilities. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. When reporting to the management on the interest rate risk, the Group will adopt a 50 basis points increase or decrease for sensitivity analysis, while considering the reasonably possible change in interest rates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### **Interest rate risk (continued)**

#### ***Interest rate risk of business other than banking (continued)***

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the year would decrease/increase for the year ended 31 December 2015 and 31 December 2014 by RMB206,345,000 and RMB203,347,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances, accounts payable to brokerage clients and held for trading debt securities; and
- Investment revaluation reserve for the year ended 31 December 2015 and 31 December 2014 would decrease/increase by RMB229,095,000 and RMB21,949,000, respectively, mainly as a result of the changes in the fair value of available-for-sale debt investments.

### **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. With the internationalization of the Group, currency risk exposure gradually increased. In addition to the overseas equity investment, Group's foreign currency business and foreign currency assets has become increasingly rich. Position of HKD, USD, EUR, and other non RMB asset increased. Some overseas subsidiaries or affiliates also issued Non-RMB bonds, say Euro Bonds and USD Bonds. The foreign currency liabilities increased. These changes make the Group facing a currency risk due to the existence of the differences of currency of assets and liabilities. In addition, with the development of the FTA business, especially offshore debt and foreign investment gradually increased, also result in an increase of currency risk. During the reporting period, the People's Bank of China gradually deepen the process of RMB marketization, and the volatility of RMB foreign exchange rate increased, which leading to a more serious currency risk for the Group. In view of the exchange rate market and the development of the Group, the management continues to strengthen in tracking and researching the currency risk, and constantly improve the internal management and system construction. The Group is trying to hedge and release the currency risk by a series of means, so as to support the Group to explore oversea business. As of 31 December 2015, the group's currency risk is relatively small, and under management's control.

#### ***Currency risk of business other than banking***

##### *Sensitivity analysis*

The Group's main currency risk exposure comes from its HKD position, the sensitivity analysis below has been determined based on the exposure to foreign exchange rates for financial assets and financial liabilities denominated in RMB for the Group's Hong Kong subsidiaries. The analysis is prepared assuming the financial instruments outstanding at 31 December 2015 were outstanding for the whole year. When reporting to the management on the currency risk, the Group will adopt a 5% increase or decrease for sensitivity analysis, while considering the reasonably possible change in RMB/HKD.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Currency risk (continued)

#### Currency risk of business other than banking (continued)

If RMB strengthened/weakened against HKD by 5% with all other variables held constant, the Group's profit for the year ended 31 December 2015 and 2014 would increase/decrease by RMB208,015,000 and RMB274,061,000 respectively.

#### Market risk of banking business

Market risk is the possible loss resulting from an adverse change in the value of a financial instrument due to fluctuations in interest rates, foreign exchange rates or share prices.

The main measure of market risk is the assessment of potential losses under adverse market conditions, for which the Value at Risk (VaR) valuation criteria is used. Haitong Bank subgroup VaR model uses the Monte Carlo simulation, based on a confidence level of 99% and an investment period of 10 days. Volatilities and correlations are historical, based on an observation period of one year.

As a complement to VaR stress testing has been developed, allowing to evaluate the impact of potential losses higher than the ones considered by VaR.

	December RMB'000	Average RMB'000 (Note)	Maximum RMB'000 (Note)	Minimum RMB'000 (Note)
Exchange risk	12,625	23,843	39,024	12,625
Interest rate risk	8,227	12,491	2,765	8,227
Shares and commodities	712	4,256	352	712
Credit Spread	15,038	30,294	54,707	15,038
Covariance	(5,035)	(8,730)	(2,907)	(5,035)
<b>Total</b>	<b>31,567</b>	<b>62,154</b>	<b>93,941</b>	<b>31,567</b>

Note: The VaR is calculated for the period from 1 January 2015 to 31 December 2015.

At the year-end, Haitong Bank subgroup had a VaR of EUR 11.6 million (equivalent to RMB82.304 million) for its trading positions which represents a decrease of 10% when compared to previous year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### **Fair value of financial assets and liabilities**

Some of the Group's financial assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Group has set up certain process to determine the appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the process and the determination of fair value are reviewed by the board of directors periodically.

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value is determined by discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives;
- the fair value of other financial assets and financial liabilities (excluding those described above) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group uses valuation techniques to determine the fair value of financial instruments when it is unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external values, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The fair value measurement of these instruments will not change significantly if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

### ***Financial instruments not measured at fair value***

The table below summarises the carrying amounts and expected fair values with obvious variances of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities (continued)

#### Financial instruments not measured at fair value (continued)

	As at 31 December 2015		As at 31 December 2014	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
<b>Financial assets</b>				
Held-to-maturity financial assets	82,733	81,987	312,822	314,734
<b>Financial liabilities</b>				
Bonds payable				
Non-convertible bonds payable	97,173,642	98,353,531	34,359,083	34,861,266
Convertible bonds				
Liability portion	112,592	N/A	1,405,329	N/A
Equity portion	4,502	N/A	35,571	N/A
Total of convertible bonds	117,094	124,782	1,440,900	1,894,727

#### Fair value hierarchy of financial instruments not measured at fair value

##### As at 31 December 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets</b>				
Held-to-maturity financial assets	81,987	–	–	81,987
<b>Financial liabilities</b>				
Bonds payable	–	98,478,313	–	98,478,313

##### As at 31 December 2014

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets</b>				
Held-to-maturity financial assets	314,734	–	–	314,734
<b>Financial liabilities</b>				
Bonds payable	–	36,755,993	–	36,755,993

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### **Fair value of financial assets and liabilities (continued)**

#### ***Financial instruments not measured at fair value (continued)***

##### *Fair value hierarchy of financial instruments not measured at fair value (continued)*

The fair values of the financial assets and financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's statements of financial position approximate their fair values.

#### ***Financial instruments measured at fair value on a recurring basis***

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

Instruments which have been valued using unobservable inputs have been classified by the Group as level 3. Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external appraisers, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The fair value measurement of these instruments will not change significantly if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2015 <i>In RMB '000</i>	Fair value as at 31 December 2014 <i>In RMB '000</i>	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Listed options	Derivative instruments	<b>54,051</b> <b>(Assets)</b> <b>1,992</b> <b>(Liabilities)</b>	211 (Assets) - (Liabilities)	Level 1	The fair value of listed option was determined by quoted bid prices in an active market.	N/A	N/A
2) Unlisted options	Derivative instruments	<b>333,937</b> <b>(Assets)</b> <b>57,975</b> <b>(Liabilities)</b>	- (Assets) 55,960 (Liabilities)	Level 2	The fair value of unlisted options are estimated based on option pricing model, in consideration of contract term, share price, interest rate, etc.	N/A	N/A
3) Equity linked notes and Debt linked notes	Derivative instruments	<b>440,407</b> <b>(Assets)</b>	456,557 (Assets)	Level 2	The fair value of the equity linked notes and debt linked notes were determined with reference to the quoted price of the underlying equity and debt instruments.	N/A	N/A
4) Forward contracts	Derivative instruments	<b>213,480</b> <b>(Assets)</b> <b>505,449</b> <b>(Liabilities)</b>	154,253 (Assets) 163,860 (Liabilities)	Level 2	Discounted cash flows. Future cash flows are estimated based on observable forward exchange rates and contracted exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
5) Interest rate, foreign exchange and credit default swap contracts	Derivative instruments	<b>2,373,508</b> <b>(Assets)</b> <b>2,916,070</b> <b>(Liabilities)</b>	31,190 (Assets) 22,530 (Liabilities)	Level 2	Discounted cash flows. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
6) Embedded equity instruments	Derivative instruments	<b>282</b> <b>(Liabilities)</b>	4,636 (Liabilities)	Level 2	The fair value of embedded equity instruments are estimated based on option pricing model, in consideration of contract term, share price, interest rate, etc.	N/A	N/A



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2015 <i>In RMB '000</i>	Fair value as at 31 December 2014 <i>In RMB '000</i>	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
7) Equity swap contracts	Derivative instruments	<b>12,783</b> (Assets)	–	Level 2	Discounted cash flows. Future cash flows are estimated with reference to the market or recent transaction prices of underlying assets, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
		<b>236,348</b> (Liabilities)					
8) Listed equity investments (non-restricted shares), funds investments and debt investments	Financial assets at fair value through profit or loss/Financial liabilities held for trading	<b>36,573,118</b> (Assets)	34,868,576 (Assets)	Level 1	Quoted bid prices in an active market.	N/A	N/A
		<b>851,596</b> (Assets)	67,632 (Assets)	Level 2	The fair value of equity investments in the National Equities Exchange and Quotations was based on the recent transaction price of the investments.		
		<b>1,335,018</b> (Liabilities)	230,464 (Liabilities)	Level 1	Quoted bid prices in an active market for listed equity investments.		
	Available-for-sale investments	<b>3,408,403</b>	2,338,721	Level 1	Quoted bid prices in an active market.		
		<b>141,480</b>	–	Level 2	The fair value of equity investments in the National Equities Exchange and Quotations was based on the recent transaction price of the investments.		
9) Unlisted equity investments (non-restricted shares)	Financial assets at fair value through profit or loss	<b>2,411,747</b>	2,073,142	Level 2	The fair value was based on the recent transaction price of the investments.	N/A	N/A
		<b>4,780,120</b>	–	Level 3	Discounted cash flow. The fair value is derived from the net asset value of such unlisted direct equity investment that is mostly attributable from its underlying listed equity investment which is a restricted share with its fair value is determined with reference to the quoted market prices of the shares with an adjustment of discount for lack of marketability.	Discount for lack of marketability with reference to the quoted market prices of the shares.	The higher the discount, the lower the fair value.
	Available-for-sale investments	<b>151,102</b>	8,086	Level 2	Fair values have been determined based on the market value of related listed equities issued by the same listed companies.	N/A	N/A
		<b>26,627</b>	–	Level 3	Fair value of the investments consist on the use of internal valuation models or quotations provided by third parties		

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2015 <i>In RMB '000</i>	Fair value as at 31 December 2014 <i>In RMB '000</i>	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
10) Debt investments in interbank market	Financial assets at fair value through profit or loss/Financial liabilities held for trading	<b>24,018,184</b> <b>(Assets)</b> <b>788,606</b> <b>(Liabilities)</b>	13,577,468 (Assets) 26,764 (Liabilities)	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
	Available-for-sale investments	<b>685,548</b> <b>528,269</b>	823,095 –	Level 3	Fair value of the investments consist on the use of internal valuation models or quotations provided by third parties.		
11) Unlisted fund investments	Financial assets at fair value through profit or loss	<b>37,986,083</b>	5,959,955	Level 2	Based on the net asset values of the funds, determined with reference to observable(quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
	Available-for-sale investments	<b>23,992,277</b> <b>147,724</b>	486,636 –	Level 3	Fair value of the investments consist on the use of internal valuation models or quotations provided by third parties		
12) Investments in structure products, trust and other products (investing in equity or debt other than unlisted private equity)	Financial assets at fair value through profit or loss	<b>2,033,108</b>	611,453	Level 2	Shares of the net value of the products, determined with reference to the net asset value of the products, calculated by observable(quoted) prices of underlying investment portfolio. and adjustments of related expenses.	N/A	N/A
	Available-for-sale investments	<b>5,527,723</b>	3,125,109				
		–	7,043	Level 1	Quoted bid prices in an active market.		
13) Restricted shares and funds	Available-for-sale investments	<b>3,252,221</b>	588,601	Level 3	Discounted cash flow. The fair value is determined with reference to the quoted market prices of the shares with an adjustment of discount for lack of marketability.	Discount for lack of marketability with reference to the prices of listed securities.	The higher the discount, the lower the fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2015 <i>In RMB '000</i>	Fair value as at 31 December 2014 <i>In RMB '000</i>	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
14) Financial liabilities arising from consolidation of structured entities	Financial liabilities held for trading	16,882,364	11,347,476	Level 2	Based on the net asset values of the structured entities, determined with reference to observable(quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
15) Structured notes issued	Financial assets at fair value through profit or loss	1,786,451	–	Level 1	The fair value was determined with reference to the underlying listed equity investments.	N/A	N/A
	Financial liabilities designated as FVTPL	2,740,731	2,569,490	Level 2	The fair value was determined with reference to the market or recent transaction prices of underlying assets.		
		694,474	11,657		The fair value of the investment was determined with reference to dealing price of the underlying unlisted debt investment which is based on discounted cash flow that the future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.		
		3,540,206	–	Level 3	Discounted cash flow. The fair value is derived from the net asset value of such unlisted direct equity investment that is mostly attributable from its underlying listed equity investment which is a restricted share with its fair value is determined with reference to the quoted market prices of the shares with an adjustment of discount for lack of marketability.	Discount for lack of marketability with reference to the quoted market prices of the shares.	The higher the discount, the lower the fair value.
16) Gold lending business	Financial liabilities designated as FVTPL	5,044,213	1,603,773	Level 2	The fair value was determined with reference to the fair value of the underlying gold.	N/A	N/A
17) Investments in structure products	Available-for-sale investments	2,309,195	2,097,725	Level 3	Discounted future cash flows based on expected cash flows discounted at rate taking into account of the credit risk of the issuer.	Credit risk spread (loss given default)	The higher the loss given default, the lower the fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

As at 31 December 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments				
– Equity securities				
Manufacturing	81,548	14,806	1,588,914	1,685,268
Financial services	158,871	141,480	1,579,456	1,879,807
Information transmission, software and information technology	45	710	57,290	58,045
Mining	–	–	–	–
Real Estate	–	35,936	–	35,936
Water conservancy, environment and public facilities management	–	–	26,236	26,236
Culture, sports and entertainments	–	354	304	658
Leasing and business services	13,822	75,200	26,648	115,670
Comprehensive	–	24,096	–	24,096
Scientific research and technical services	138,450	–	–	138,450
– Debt securities				
Corporate bonds	868,193	685,548	510,935	2,064,676
Government bonds	1,318,524	–	–	1,318,524
Other debts	739,169	–	17,334	756,503
– Funds	89,781	5,540,985	147,724	5,778,490
– Others				
Asset management plan and other	–	23,957,275	2,309,195	26,266,470
Trust	–	21,740	–	21,740
Subtotal	3,408,403	30,498,130	6,264,036	40,170,569

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

As at 31 December 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Equity securities				
Manufacturing	2,103,770	838,126	4,780,120	7,722,016
Financial services	4,883,125	1,459,431	–	6,342,556
Information transmission, software and information technology	1,179,109	694,591	–	1,873,700
Mining	62,694	7,630	–	70,324
Construction	8,026	21,122	–	29,148
Electricity, heat, gas and water production and supply	4,410	–	–	4,410
Transportation, storage and postal services	258,125	1,316	–	259,441
Wholesale and retail	207,953	7,911	–	215,864
Real Estate	721,686	13,407	–	735,093
Water conservancy, environment and public facilities management	34,307	7,332	–	41,639
Farming, forest, herd, fishery	213,408	13,905	–	227,313
Culture, sports and entertainments	14,183	62,798	–	76,981
Leasing and business services	3,721	23,970	–	27,691
Comprehensive	13,520	–	–	13,520
Scientific research and technical services	4,225	111,804	–	116,029
Accommodation and catering industry	30,850	–	–	30,850
– Debt securities				
Corporate bonds	4,410,619	16,154,991	–	20,565,610
Government bonds	10,946,301	3,835,369	–	14,781,670
Other bonds	885,535	4,027,824	–	4,913,359
– Funds	10,587,551	37,986,083	–	48,573,634
– Others				
Asset management plan	–	1,768,412	–	1,768,412
Others	1,786,451	264,696	–	2,051,147
– Derivative financial assets	54,051	3,374,115	–	3,428,166
Subtotal	38,413,620	70,674,833	4,780,120	113,868,573
Total assets	41,822,023	101,172,963	11,044,156	154,039,142
Derivative financial liabilities	1,992	3,716,124	–	3,718,116
Held for trading financial liabilities	1,335,018	17,670,970	–	19,005,988
Financial liabilities designated at FVTPL	–	8,479,418	3,540,206	12,019,624
Total liabilities	1,337,010	29,866,512	3,540,206	34,743,728
Net amounts of assets and liabilities	40,485,013	71,306,451	7,503,950	119,295,414

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

As at 31 December 2014

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments				
– Equity securities				
Manufacturing	282,918	8,086	494,131	785,135
Financial services	424,490	–	–	424,490
Information transmission, software and information technology	7,754	–	94,470	102,224
Mining	35,505	–	–	35,505
Construction	23,411	–	–	23,411
Electricity, heat, gas and water production and supply	7,096	–	–	7,096
Transportation, storage and postal services	14,990	–	–	14,990
Wholesale and retail	13,626	–	–	13,626
Real Estate	31,619	–	–	31,619
Water conservancy, environment and public facilities management	4,367	–	–	4,367
Farming, forest, herd, fishery	3,870	–	–	3,870
Culture, sports and entertainments	45,831	–	–	45,831
Leasing and business services	3,773	–	–	3,773
Comprehensive	4,673	–	–	4,673
– Debt securities				
Corporate bonds	991,417	793,049	–	1,784,466
Other debts	–	30,046	–	30,046
– Funds	443,381	486,636	–	930,017
– Structured and trust products	7,043	3,125,109	2,097,725	5,229,877
<b>Subtotal</b>	<b>2,345,764</b>	<b>4,442,926</b>	<b>2,686,326</b>	<b>9,475,016</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

As at 31 December 2014

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Equity securities				
Manufacturing	5,096,414	551,379	–	5,647,793
Financial services	4,027,370	1,527,383	–	5,554,753
Information transmission, software and information technology	344,388	53,257	–	397,645
Mining	481,904	–	–	481,904
Construction	399,995	–	–	399,995
Electricity, heat, gas and water production and supply	333,650	–	–	333,650
Transportation, storage and postal services	211,155	–	–	211,155
Wholesale and retail	248,403	–	–	248,403
Real Estate	315,652	–	–	315,652
Water conservancy, environment and public facilities management	41,096	2,400	–	43,496
Farming, forest, herd, fishery	25,287	6,355	–	31,642
Culture, sports and entertainments	206,229	–	–	206,229
Leasing and business services	43,368	–	–	43,368
Comprehensive	64,066	–	–	64,066
Scientific research and technical services	2,930	–	–	2,930
Accommodation and catering industry	23,847	–	–	23,847
Health and social work	4,546	–	–	4,546
– Debt securities				
Corporate bonds	9,894,706	10,870,687	–	20,765,393
Government bonds	6,910,987	745,612	–	7,656,599
Other bonds	978,015	1,961,169	–	2,939,184
– Funds	5,214,568	5,959,955	–	11,174,523
– Structured and trust products	–	611,453	–	611,453
– Derivative financial assets	211	642,000	–	642,211
<b>Subtotal</b>	<b>34,868,787</b>	<b>22,931,650</b>	<b>–</b>	<b>57,800,437</b>
<b>Total assets</b>	<b>37,214,551</b>	<b>27,374,576</b>	<b>2,686,326</b>	<b>67,275,453</b>
Derivative financial liabilities	–	246,986	–	246,986
Held for trading financial liabilities	230,464	11,374,240	–	11,604,704
Financial liabilities designated at FVTPL	–	4,184,920	–	4,184,920
<b>Total liabilities</b>	<b>230,464</b>	<b>15,806,146</b>	<b>–</b>	<b>16,036,610</b>
<b>Net amounts of assets and liabilities</b>	<b>36,984,087</b>	<b>11,568,430</b>	<b>2,686,326</b>	<b>51,238,843</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

The following table represents the changes in Level 3 financial instruments for the 12 months ended 31 December 2015.

#### Available-for-sale investments

	Restricted Equity Securities							Total RMB'000
	Information			Other		Debt		
	Manufacturing RMB'000	transmission RMB'000	industry RMB'000	industries RMB'000	Fund RMB'000	securities RMB'000	Others RMB'000	
As at 1 January 2015	494,131	94,470	-	-	-	-	2,097,725	2,686,326
Purchase	1,128,540	55,677	637,994	17,666	-	150,984	168,249	2,159,110
Arising from acquisition of a subsidiary	-	-	4,274	62,652	201,921	909,758	-	1,178,605
Transfer out	(479,225)	(94,470)	-	-	-	(367,877)	-	(941,572)
Total gains or losses								
- in other comprehensive income	445,468	1,613	937,188	(27,130)	(54,197)	(164,596)	125,760	1,264,106
- in profit or loss	-	-	-	-	-	-	(82,539)	(82,539)
As at 31 December 2015	1,588,914	57,290	1,579,456	53,188	147,724	528,269	2,309,195	6,264,036

#### Financial assets at fair value through profit or loss

	Manufacturing RMB'000	Total RMB'000
As at 1 January 2015	-	-
Transfer in	1,759,338	1,759,338
Transfer out	-	-
Total gains		
- other profit	3,020,782	3,020,782
As at 31 December 2015	4,780,120	4,780,120



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value of financial assets and liabilities (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

Financial liabilities at fair value through profit or loss

	Manufacturing RMB'000	Total RMB'000
As at 1 January 2015	–	–
Transfer in	519,424	519,424
Transfer out	–	–
Total gains – other profit	3,020,782	3,020,782
As at 31 December 2015	<b>3,540,206</b>	<b>3,540,206</b>

The following table represents the changes in Level 3 available-for-sale investments for the the year ended 31 December 2014.

	Restricted Equity Securities						Total RMB'000
	Manufacturing RMB'000	Information transmission RMB'000	Entertainment RMB'000	Farming RMB'000	Restricted fund RMB'000	Others RMB'000	
As at 1 January 2014	112,131	–	75,241	76,215	10,491	–	274,078
Purchase	538,324	87,000	–	–	–	2,096,170	2,721,494
Transfer out	(52,746)	–	(75,000)	(65,100)	(10,100)	–	(202,946)
Total gains or losses – in other comprehensive income	(103,578)	7,470	(241)	(11,115)	(391)	1,555	(106,300)
As at 31 Dec 2014	494,131	94,470	–	–	–	2,097,725	2,686,326

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Capital management

The Group's objectives when managing capital are:

1. To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
2. To support the Group's stability and growth;
3. To maintain a strong capital base to support the development of its business; and
4. To comply with the capital requirements under jurisdiction's local regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2008) (the "Administrative Measures"), "The Provisions on Adjusting the Basis of Calculation of the Net Capital of Securities Companies (amended in 2013)" (CSRC Announcement [2013] No.37) issued by the China Securities Regulatory Commission (CSRC) and "Notice on the issue that security firms provide counter-guarantee for overseas wholly-owned subsidiaries" issued by Shanghai Securities Regulatory Bureau's 18 March 2014, the comparative figures have been restated in accordance with the related regulations, the Company is required to meet the following standards for risk control indicators on a continual basis:

1. The ratio between its net capital and the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
2. The ratio between its net capital and its net assets shall be no less than 40% ("Ratio 2");
3. The ratio between its net capital and its liabilities shall be no less than 8% ("Ratio 3");
4. The ratio between its net assets and its liabilities shall be no less than 20% ("Ratio 4");
5. The ratio between the value of equity securities, derivatives held and its net capital shall not exceed 100% ("Ratio 5"); and
6. The ratio between the value of fixed income securities held and net capital shall not exceed 500% ("Ratio 6").

Net capital refers to net assets minimises risk adjustments on certain types of assets as defined in the Administrative Measures.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 71. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Capital management (continued)

As at 31 December 2015 and 2014, the Company has maintained the above ratios as follows:

	2015/12/31	2014/12/31
Net capital (RMB '000)	<b>85,521,155</b>	37,110,256
Ratio 1	<b>1269.37%</b>	819.66%
Ratio 2	<b>84.57%</b>	57.07%
Ratio 3	<b>44.59%</b>	26.71%
Ratio 4	<b>52.72%</b>	46.80%
Ratio 5	<b>46.93%</b>	61.21%
Ratio 6	<b>68.63%</b>	78.78%

The above ratios are calculated based on the underlying financial information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the People's Republic of China regulated by the China Securities Regulatory Commission.

Certain subsidiaries of the Group are also subject to capital requirements under relevant regulations in PRC, Hong Kong and other jurisdictions. The capital of the Group mainly comprises its total equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 72. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

As at 31 December 2015	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
in RMB'000	Related amounts not set off in the statement of financial position					
Description	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statements of financial position	Net amounts of financial assets presented in the statement of financial position	(d)(i) Financial instruments	(d)(ii) Cash collateral received	Net amount
Derivative instruments (Note 50)	3,428,196	30	3,428,166	-	-	3,428,166
Accounts receivable from brokers, dealers and clearing house (Note 31)	5,695,951	1,028,044	4,667,907	16,360	96,342	4,555,205
Advances to customers on margin financing (Note 30)	76,324,967	-	76,324,967	63,796,419	12,528,548	-
Deposits with exchanges (Note 36)	7,558,629	-	7,558,629	67,874	-	7,490,755

As at 31 December 2014	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
in RMB'000	Related amounts not set off in the statement of financial position					
Description	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statements of financial position	Net amounts of financial assets presented in the statement of financial position	(d)(i) Financial instruments	(d)(ii) Cash collateral received	Net amount
Derivative instruments (Note 51)	644,950	2,739	642,211	-	-	642,211
Accounts receivable from brokers, dealers and clearing house (Note 31)	4,629,451	1,434,962	3,194,489	33,745	58,445	3,102,299
Advances to customers on margin financing (Note 30)	64,883,359	-	64,883,359	51,373,168	13,510,191	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 72. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

As at 31 December 2015	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
	Related amounts not set off in the statement of financial position					
in RMB'000						
	Gross amounts of recognised financial assets set off in the statements of financial position			Net amounts of financial liabilities presented in the statement of financial position		
<b>Description</b>	<b>Gross amounts of recognised financial liabilities</b>	<b>Gross amounts of recognised financial assets set off in the statements of financial position</b>	<b>Net amounts of financial liabilities presented in the statement of financial position</b>	<b>(d)(i) Financial instruments</b>	<b>(d)(ii) Cash collateral pledged</b>	<b>Net amount</b>
Derivative instruments (Note 50)	3,758,223	40,107	3,718,116	–	–	3,718,116
Pending payable to clearing house (Note 48)	2,795,347	1,028,044	1,767,303	104,015	–	1,663,288
Financial liabilities held for trading (Note 51)	19,005,988	–	19,005,988	–	2,123,624	16,882,364

As at 31 December 2014	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
	Related amounts not set off in the statement of financial position					
in RMB'000						
	Gross amounts of recognised financial assets set off in the statements of financial position			Net amounts of financial liabilities presented in the statement of financial position		
<b>Description</b>	<b>Gross amounts of recognised financial liabilities</b>	<b>Gross amounts of recognised financial assets set off in the statements of financial position</b>	<b>Net amounts of financial liabilities presented in the statement of financial position</b>	<b>(d)(i) Financial instruments</b>	<b>(d)(ii) Cash collateral pledged</b>	<b>Net amount</b>
Derivative instruments (Note 50)	649,236	402,250	246,986	–	–	246,986
Pending payable to clearing house (Note 48)	1,903,023	1,434,962	468,061	162,003	–	306,058
Financial liabilities held for trading (Note 51)	11,604,704	–	11,604,704	–	230,464	11,374,240

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 72. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The Group has entered into master netting arrangements with counterparties for the derivative instruments and also with clearing house for un-settled trades.

Except for the enforceable master netting arrangements and the offset-right of the financial assets under the similar agreements disclosed above, the collaterals of which, such as financial assets held under resale agreement, financial assets sold under repurchase agreement, borrowing with collateral, advances to customers and etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position. However, the risk exposure associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. As of 31 December 2015 and 31 December 2014, the fair value of the collaterals related to the above items exceeded the book value of those financial instruments; net exposure and net amount is insignificant after setting off the collaterals.

## 73. ACQUISITION OF SUBSIDIARIES

	Primary business	Date of purchase	The proportion of voting rights (%)	Transfer value <i>RMB'000</i>
Haitong International Holdings (UK) Limited (formerly "Japaninvest Group plc")	stock research sales consultation	31 March 2015 (London time) 7 September	100	148,779
Haitong Bank S.A.	investment banking	2015	100	2,692,492
				2,841,271

### Haitong International Holdings (UK) Limited (formerly "Japaninvest Group plc")

On 31 March 2015 (London time), the court in the United Kingdom has sanctioned the acquisition offered by Haitong International (BVI) Limited ("Haitong BVI"), a wholly owned subsidiary of HISGL, to acquire 100% issued shares of Japaninvest Group plc ("Japaninvest") for consideration of JPY2,878,200,000 (equivalent to RMB148,779,000). Japaninvest went public on Tokyo Stock Exchange and delisted on 26 March 2015 as approved by British courts and shareholders on 2 March 2015.

Japaninvest is engaged in providing pan-Asia equity research, analysis and sales advice for the benefit of investing clients. Japaninvest was acquired so as to extend the reach of its business network to international market and to establish an extensive institutional client base through research report releases, in turn presenting new business opportunities to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 73. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### Consideration transferred

	<i>RMB'000</i>
Cash	148,779

Acquisition-related costs amounting to RMB1.58 million have been excluded from the consideration transferred and have been recognized as an expense in the current period, within the other operating expenses in the consolidated statement of profit or loss.

### Assets and liabilities recognised at the date of acquisition

	<i>RMB'000</i>
Non-current assets	
Property and equipment	1,794
Other intangible assets	40,337
Current assets	
Accounts receivable	5,605
Other receivables and prepayments	7,150
Deferred tax assets	820
Cash and cash equivalents	11,189
<b>Total current assets</b>	<b>24,764</b>
<b>Total assets</b>	<b>66,895</b>
Current liabilities	
Other payables and accruals	(26,800)
Tax liabilities	(450)
Deferred tax liabilities	(7,971)
<b>Total current liabilities</b>	<b>(35,221)</b>
<b>Net assets</b>	<b>31,674</b>

In the opinion of the directors of the Group's subsidiary HISGL, the fair values of the accounts and other receivables acquired (which principally comprised accounts receivable and other receivables) approximate the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of the receivables which are expected to be collected.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 73. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### Goodwill arising on acquisition

	<i>RMB'000</i>
Consideration transferred	148,779
Less: Net identifiable assets acquired	31,674
<u>Goodwill arising on acquisition</u>	<u>117,105</u>

Goodwill arose in the acquisition of Japaninvest because the cost of the combination included a control premium. Except for the intangible assets recognized in 2015, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Japaninvest. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

### Net cash outflow arising on acquisition

	<i>RMB'000</i>
Consideration paid in cash	148,779
Less: cash and cash equivalent balances acquired	(11,189)
<u>Net cash outflow arising on acquisition</u>	<u>137,590</u>

### Impact of acquisition on the results of the Group

Included in the profit for the current year is RMB5.19 million attributable to the additional business generated by Japaninvest. Revenue for the current period includes RMB26.81 million generated from Japaninvest.

Had the acquisition been completed on 1 January 2015, total group revenue for the current year would have been RMB51.21 billion, and profit for the current year would have been RMB16.837 billion. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Japaninvest been acquired at the beginning of the current year, the directors have calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 73. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### **Haitong Bank, S.A. (formerly Banco Espirito Santo de Investimento, S.A.) (“Haitong Bank”)**

On 7 September 2015, the Group’s wholly-owned subsidiary, HTIH has completed the acquisition of BESI from Novo Banco for consideration of EUR379 million or equivalent to RMB2,692,483,000. The acquisition of BESI is to support the Group’s global expansion plans both in the developed markets of Europe and the US and in the emerging markets of Latin America, Central and Eastern Europe and India. On 8 September 2015, BESI was renamed as Haitong Bank.

Haitong Bank is an international investment bank in operation and provides a wide range of investment banking services for institutional and individual clients in Europe, the Americas, India, Asia and Africa. The Bank’s main operations are located in Iberia, Brazil, UK, US, Poland and India.

### **Consideration transferred**

	<i>RMB’000</i>
Cash	2,692,483

Acquisition-related costs amounting to RMB31 million have been excluded from the consideration transferred and have been recognized as an expense in the current period, within the other operating expenses in the consolidated statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 73. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### Assets acquired and liabilities recognised at the date of acquisition (determined on a provision basis)

	<i>RMB'000</i>
Accounts receivable	1,105,813
Other receivables and prepayments	380,865
Cash and cash equivalents	104
Deposits with central bank	3,512
Deposits with other banks	394,536
Financial assets at fair value through profit or loss	4,987,623
Available for sale investments	2,715,400
Loans and advances	8,073,645
Derivative financial assets	3,051,017
Financial assets sold under repurchase agreements	760,908
Assets held for sale	25,575
Property and equipment	90,788
Other intangible assets	110,571
Investments accounted for using equity method	187,676
Tax recoverable	140,120
Deferred tax assets	857,658
Deposits with exchanges	1,320,572
Goodwill	461,286
Other assets	63,032
<b>Total assets</b>	<b>24,730,701</b>
Deposits from central banks	434,065
Financial liabilities at fair value through profit or loss	415,280
Deposits from other banks	4,544,887
Customer accounts	2,177,961
Bonds payable	4,787,759
Loan and other borrowings	3,803,504
Derivative financial liabilities	3,559,792
Provisions	150,375
Deferred tax liabilities	319
Other liabilities	497,197
Accounts payable	1,174,796
Other payables	594,324
<b>Total liabilities</b>	<b>22,140,259</b>
<b>Net asset acquired at the date of acquisition</b>	<b>2,590,442</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 73. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### Assets acquired and liabilities recognised at the date of acquisition (determined on a provision basis) (Continued)

In the opinion of the directors of HTIH, the fair values of the accounts receivables and other receivables acquired (which principally comprised accounts receivable and other receivable) approximate the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of the receivables which are expected to be collected.

### Goodwill arising on acquisition (determined on a provision basis)

	<i>RMB'000</i>
Consideration transferred	2,692,483
Plus: Other equity instrument	26,506
Plus: Non controlling interest	278,572
Less: Net identifiable assets acquired	<u>(2,590,442)</u>
Goodwill arising on acquisition	<u>407,119</u>

Goodwill arose in the acquisition of Haitong Bank because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Haitong Bank. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Up to the reporting date, the initial accounting of the business combination, including the determination of the fair value of identifiable assets and liabilities acquired and measurement of goodwill or a gain from a bargain purchase are in the assessment process by the management of the Group. Thus, the disclosures are presented by the management on a provisional basis in the consolidated financial statements.

### Net cash outflow on acquisition of a subsidiary

	<i>RMB'000</i>
Consideration paid in cash	2,692,483
Less: Cash and cash equivalent balances acquired	<u>(394,640)</u>
Net cash outflow arising on acquisition	<u>2,297,843</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 73. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### Impact of acquisition of Haitong Bank on the results of the Group

Included in the profit for the current year is loss of RMB30 million attributable to the additional business from Haitong Bank. Revenue for the current period includes RMB819 million generated from Haitong Bank.

Had the acquisition been completed on 1 January 2015, total group revenue for the current year would have been RMB52.93 billion, and profit for the current year would have been RMB16.64 billion. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Haitong Bank been acquired at the beginning of the current year, the directors have calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

## 74. SUBSEQUENT EVENTS

### Profit distribution resolution

On 30 March 2016, the board of directors of the Company proposed a profit distribution resolution, Cash dividend of RMB4.5 per 10 shares (inclusive of tax) was distributed to all holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date. The total cash dividends to be distributed would be RMB5,175,765,000.00, on the basis of a total share capital of 11,501,700,000 A Shares and H Shares in issue. The retained profits of the Company of RMB14,655,043,372.86 following the cash dividend distribution will be carried forward to the next year. The specific overall amount of cash dividends under distribution and the retained profits to be carried forward to the next year will be calculated according to the actual number of shares of the Company in issue on the record date for the cash dividend distribution.

The cash dividend will be calculated and declared in RMB, and paid in RMB to A share shareholders and in HKD equivalent to H share shareholders. The actual HKD amount will be converted from RMB at the average benchmark exchange rate of the last 5 working days published by the People's Bank of China before the 2015 annual general meeting.

After the profit distribution resolution has been approved by the annual general meeting, the cash dividend will be paid out within two months from the date of approval.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 December 2015 and up to the date of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 74. SUBSEQUENT EVENTS (CONTINUED)

### **Value-added Tax in Lieu of Business Tax**

Pursuant to the “Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax” (Cai Shui [2016] No.36) issued by the Ministry of Finance and the State Administration of Taxation in March 2016, the Group will be subject to value-added tax instead of business tax starting from 1 May 2016. The Group is assessing the potential impacts of the newly implemented scheme.

## 75. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year’s presentation.