



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

2016
Annual Report



*For identification purpose only

CONTENTS

Section I	Definition and Important Risk Warnings	3
Section II	Company Profile and Key Financial Indicators	7
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	91
Section VII	Preferred Shares	100
Section VIII	Particulars about Directors, Supervisors, Senior Management and Employees	101
Section IX	Corporate Governance	149
Section X	Corporate Bonds	184
Section XI	Financial Report	193
Section XII	Documents Available for Inspection	194
Section XIII	Information Disclosure of Securities Company	195

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 twenty-third 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 Li Guangrong, was unable to attend the Board meeting in person due to business travel, and had appointed Director Zhang Ming 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. Zhou Jie, Chairman of the Company, Mr. Li Chuqian, Chief Financial Officer, and Mr. Ma Zhong, 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 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 2016, cash dividend of RMB 2.20 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 RMB 2,530,374,000.00. The retained profits of the Company of RMB 16,131,942,148.54 following the cash dividend distribution will be carried forward to the next year.

Forward-looking statements contained in this Report, including future plans and development strategies, 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 RMB 1.00 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 RMB 1.00 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.
“Haitong Capital”	Haitong Capital Investment Co., Ltd. (海通開元投資有限公司)

SECTION I DEFINITION AND IMPORTANT RISK WARNINGS

“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
“IPO”	initial public offering

SECTION I DEFINITION AND IMPORTANT RISK WARNINGS

“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 2016 to 31 December 2016
“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.

Risks regarding operating activities faced by the Company mainly include: policy risks that adversely affect operations of securities companies, which arise from changes to laws and regulations, regulatory policies and trading rules associated with securities industry due to national macro-control measures; compliance risks that may expose the Company to legal sanctions or regulatory penalties, significant financial losses or reputational damages, which arise from failure to comply with laws and regulations, regulatory requirements, rules, relevant standards formulated by self-disciplined organizations, and code of conduct applicable to the business activities of securities companies; higher liquidity risks exposed by the Company as it 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; credit risks generated when clients or counterparties fail to perform their obligations set out in the contracts, or when the value of collateral provided by them has shortfall; market risks exposed when businesses relevant to self-owned funds investment of the Company suffer a loss due to adverse changes in market prices (stock price, interest rate, exchange rate, or commodity price, etc.); adverse effect to the Company's business due to failure to attract, retain or hire the management and qualified professionals or replace them with suitable candidates as operation of the Company mainly relies on such professionals while the market competition is intensive; operational risks resulted from weak or failed internal procedures, improper business operations by employees, malfunction of information technology and external affairs; and new risks generated as the Company expands its businesses into Europe, Americas, Hong Kong and other regions with the development of the international strategy of collectivization. Furthermore, various risks are connected and interacted to a certain extent, which may finally cause systemic risks.

For details of various specific risk analysis and the measures have been or to be taken by the Company, investors are advised to read carefully about certain contents concerning "Potential Risks and Prevention Measures" in section IV "Report of the Board of Directors" of this Report, and pay special attention to above risk factors.

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	Zhou Jie
General manager of the Company	Qu Qiuping
Authorized representatives of the Company	Zhou Jie, 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	11,501,700,000.00
Net capital (RMB)	78,663,534,022.30	93,706,661,550.50

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. Qualification for acquisition of securities business departments (Hu Zheng Ji Bian [2002] No. 090)
5. Open-end securities investment fund consignment business qualification (Zheng Jian Ji Jin [2002] No. 076)
6. Securities company engaged in relevant innovative activity trials (Zhong Zheng Xie Han [2005] No. 079)
7. Qualification for short-term commercial paper underwriting business (Yin Fa [2005] No. 173)
8. Qualification for quotation transfer business (Zhong Zheng Xie Han [2006] No. 3)
9. Trader Qualification for Shanghai Stock Exchange Fixed Income Securities Consolidated Electric Trading Platform (Shang Zheng Hui Han [2007] No. 86)
10. Qualification for Association of PRC Inter-bank Market Trader (August 2007)

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

11. Qualification for overseas securities investment management business as a qualified domestic institutional investor (Zheng Jian Xu Ke [2008] No. 146)
12. A-grade clearing participant qualification of China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2008] No. 22)
13. 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)
14. Qualification for direct investment business trials (Ji Gou Bu Bu Han [2008] No. 421)
15. Qualification for implementation of the broker system (Hu Zheng Jian Ji Gou Zi [2009] No. 302)
16. Qualification of Providing Trading Units for Insurance Agency Investors (Bao Jian Zi Jin Shen Zheng [2009] No. 1)
17. Qualification for margin financing and securities lending business (Zheng Jian Xu Ke [2010] No. 315)
18. Qualification of Engaging of Stock Index Futures Hedging Business through Proprietary Trading of the Company (Hu Zheng Jian Ji Gou Zi [2010] No. 372)
19. Qualification for Securities House Assigned by NSSF (August 2011)
20. Qualification for Fund Evaluation Business (Zhong Zheng Xie Fa [2010] No. 070)
21. Qualification of Engaging of Stock Index Futures through Asset Management (Hu Zheng Jian Ji Gou Zi [2011] No. 237)
22. Stock repo transaction business trials (Ji Gou Bu Bu Han [2011] No. 512) (Shang Zheng Jiao Zi[2011] No. 37)
23. Qualification for issuance of overseas listed foreign shares (Zheng Jian Xu Ke [2011] No. 1821) (H Share)
24. Trial business of bond collateralized repo with quotes (Ji Gou Bu Bu Han [2011] No. 585)
25. Partnership independent custody business trials (Ji Gou Bu Bu Han [2012] No. 686)
26. Over-the-counter transaction business (Zhong Zheng Xie Han [2012] No. 825)
27. Pilot Qualification of Engaging of Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2012] No. 113)
28. Pilot Qualification of Underwriting of Private Debts for SMEs (Zhong Zheng Xie Han [2012] No.561)
29. Qualification for foreign exchange operation in the securities business (SC201307)
30. 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)
31. Qualification for Distribution of Financial Products (Hu Zheng Jian Ji Gou Zi [2013] No.180)
32. Pilot qualification of conducting capital consumption payment services for client securities (Ji Gou Bu Bu Han [2013] No. 741)
33. Qualification of the 11th batch of insurance agency for 2013 (Hu Bao Jian Xu Ke [2013] No.204)
34. 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)
35. Custody qualification of security investment funds (Zheng Jian Xu Ke [2013] No. 1643)
36. Qualification for agency business of securities pledge registration
37. Internet securities business trials (Zhong Zheng Xie Han [2014] No. 358)
38. Membership qualification on the Gold Exchange (Certificate No. T004)
39. Pilot Issuance of Short-term Corporate Bonds by Securities Companies (Shang Zheng Duan Zhai [2014] No. 4)

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

40. Business Pilot of Financing-oriented Option Exercise with respect to Share Incentive Schemes of Listed Companies (Shenzhen Han [2014] No. 321)
41. Qualification for the stock options market making business (Zheng Jian Xu Ke [2015] No. 153)
42. Principal market maker in SSE 50 ETF options contracts (Shang Zheng Han [2015] No. 214)
43. Business Qualification for Options Settlement (Zhong Guo Jie Suan Han Zi [2015] No. 20)
44. Futures Membership Certificate (certificate number: NO. G02008)
45. Qualification for Offshore Proprietary Business (Ji Gou Bu Han [2015] No. 1204)
46. No Comment Letter on Innovative Program of One-way Video Account Opening (Zhong Guo Jie Suan Ban Zi [2015] No. 461)
47. Qualification for Inter-bank Gold Price Asking Transactions (Shang Jin Jiao Fa [2015] No. 120)
48. Permission for Printing Publication of Internal Information (Hu Xin Chu Bao [2015] No. 115) (Renewed in January 2017, new Permission No: (K) 0772)
49. Qualification for Carrying on Main Underwriting Business of Debt Financial Instruments for Non-Financial Enterprises
50. Qualification for Note Dealing (Yin Ban Fa [2016] No. 224)
51. Qualification for Relevant Business on Tools Mitigating Credit Risk (2017)

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

	Board Secretary	Representative of Securities Affairs
Name	Huang Zhenghong	Sun Tao
Correspondence address	12/F, No. 689 Guangdong Road, Shanghai, PRC (Postal Code: 200001)	12/F, 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

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

III. CORPORATE INFORMATION

Registered address	No. 689 Guangdong Road, Shanghai, PRC
Postal code of registered address	200001
Business address	No. 689 Guangdong Road, Shanghai, PRC
Postal code of business address	200001
Internet website	http://www.htsec.com
E-mail	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

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, 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	/

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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 RMB 10 million in Shanghai in 1988 with the substantial shareholder being Bank of Communications, Shanghai Branch. In respect of scope of business, it was mainly engaged in distribution and agency issuance of a variety of marketable securities. It was also engaged in securities business consultation, custody, transfer and principal and interest repayment of a variety of marketable securities, securities investment business on behalf of clients and other relevant businesses approved by the People’s Bank of China.

Upon approval by the People’s Bank of China with the Reply concerning Conversion of Shanghai Haitong Securities Company (上海海通證券公司) (Yin Fu [1994] No. 5), on 27 September 1994, Shanghai Haitong Securities Company (上海海通證券公司) was converted and was renamed as Haitong Securities Company Limited (海通證券有限公司) with a registered capital of RMB 1,000 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 RMB 3,746,928,000. Its scope of business was issuance of securities on behalf of clients; proprietary trading and trading of securities on behalf of clients; principal and interest repayment for securities on behalf of clients; securities custody and authentication business; receipt of principal, interest and dividends of securities on behalf of clients, and registration, transfer and clearing of securities on consignment; securities investment consultation; securities investment fund business.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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 RMB 4,006,093,000.

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 RMB 8,734,438,870. Its scope of business was changed into: trading of securities (including domestically listed foreign shares) on behalf of clients, principal and interest repayment and dividends payment for securities on behalf of clients, securities custodial services, authentication of share certificates, account opening and registration on behalf of clients, securities proprietary trading business, securities (including domestically listed foreign shares) underwriting (including acting as a lead underwriter), securities investment consultation (including financial consultancy), entrusted investment management and other businesses approved by the CSRC.

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

Upon approval of the CSRC with the Zheng Jian Gong Si Zi [2007] No. 90 document, on 7 June 2007, SUABC sold all assets and liabilities to Bright Food (Group) Co., Ltd. (a controlling shareholder of the Company) and merged with the former Haitong Securities. Following completion of the merger, the subsisting company was renamed as Haitong Securities Co., Ltd. (海通證券股份有限公司) and carried on all businesses of the former Haitong Securities, taking over the employees, assets and liabilities of the former Haitong Securities. On 29 June 2007, offline registration of the newly added shares in Shanghai Branch of China Securities Depository and Clearing Corporation Limited was completed. On 6 July 2007, the subsisting company filed relevant changes with Shanghai Administration for Industry & Commerce with its registered capital changed to RMB 3,389,272,910.

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 RMB 3,389,272,910 into RMB 4,113,910,590.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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 RMB 1.00 (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 in the form of H 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 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 RMB 1 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".

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(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: RMB 150 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 administrative licenses should be conducted based on relevant licenses obtained)

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

Registered address: Level 16-17, International Financial Centre Tower 2, No. 8 Century Avenue, China (Shanghai) Free Trade Pilot Zone

Establishment date: 13 April 1999

Registered capital: RMB 300 million

Shareholding percentage: 27.775%

Legal representative: Xue Aidong

Tel: 021-20361818

Scope of business: Fund raising, fund sales, asset management for specific customers, asset management and other businesses permitted by the CSRC. (Businesses that require administrative licenses should be conducted based on relevant licenses obtained)

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(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: RMB 100 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 administrative licenses should be conducted based on relevant licenses obtained)

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

Registered address: Level 17, Unit 01, 03, 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: RMB 1,300 million

Shareholding percentage: 66.667%

Legal representative: Wu Hongsong

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 administrative licenses should be conducted based on relevant licenses obtained)

(5) *Haitong International Holdings Limited*

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

Establishment date: 24 July 2007

Authorized capital: HK\$8,850 million

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.

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(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: RMB 10,650 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 administrative licenses should be conducted based on relevant licenses obtained)

(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: RMB 3,500 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 administrative licenses should be conducted based on relevant licenses obtained)

(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: RMB 2,200 million

Shareholding percentage: 100%

Legal representative: Pei Changjiang

Tel: 021-23219000

Scope of business: Securities asset management. (Businesses that require administrative licenses should be conducted based on relevant license obtained)

(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).

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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
	Signature of accountants	Ma Hing Fai
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	
Unified social credit code in the business license	9131000013220921X6	

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VIII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS 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 and financial indicators over the past three years

Unit: '000 Currency: RMB
As compared to the last corresponding period

Items	2016	2015	Change	2014
Operating results (RMB'000)			<i>Change</i>	
Revenue and other income	42,492,256	55,285,553	-23.14%	23,666,866
Profit before income tax	11,161,727	21,118,869	-47.15%	10,420,394
Profit for the year – attributable to owners of the Company	8,043,334	15,838,851	-49.22%	7,710,623
Net cash (used in)/from operating activities	-19,268,426	-33,989,522	N/A	-29,338,392
Other comprehensive income (expense)	281,583	695,633	-59.52%	283,027
Earnings per share (RMB/share)			<i>Change</i>	
Basic earnings per share	0.70	1.48	-52.70%	0.80
Diluted earnings per share	0.70	1.48	-52.70%	0.80
Index of profitability			<i>Change</i>	
Weighted average returns on net assets (%)	7.39	17.56	-10.17 percentage points	11.88

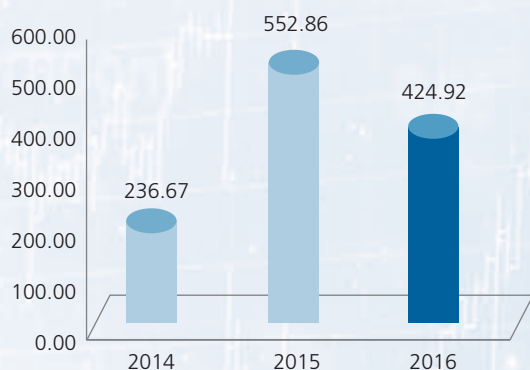
As compared to the end of the last corresponding period

Items	31 December 2016	31 December 2015	Change	31 December 2014
Indices of size (RMB'000)			<i>Change</i>	
Total assets	560,865,846	576,448,892	-2.70%	352,622,149
Total liabilities	438,907,445	459,521,221	-4.49%	280,357,946
Accounts payable to brokerage clients	104,059,287	129,026,336	-19.35%	80,766,843
Equity attributable to owners of the Company	110,130,127	107,694,545	2.26%	68,364,431
Total share capital ('000)	11,501,700	11,501,700	–	9,584,721
Net assets per share attributable to owners of the Company (RMB/share)	9.58	9.36	<i>Change</i>	7.13
Gearing ratio (%)⁽¹⁾	73.30	73.87	2.35% -0.57 percentage point	73.42

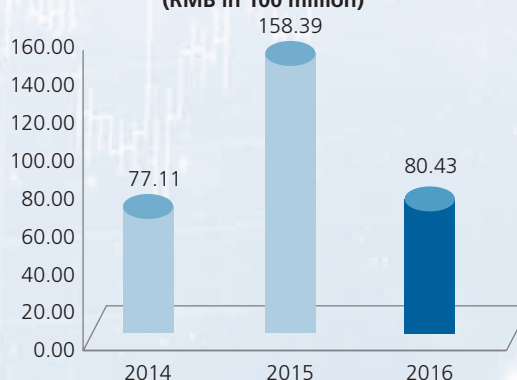
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

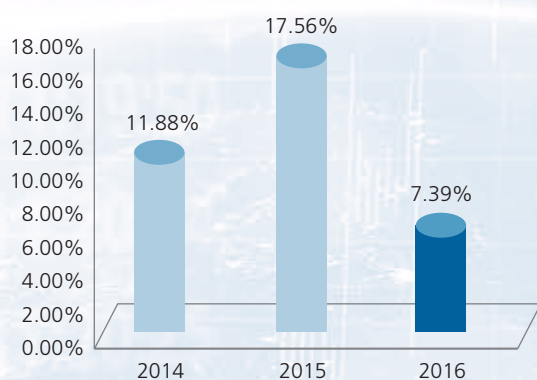
**Revenue and other income
(RMB in 100 million)**



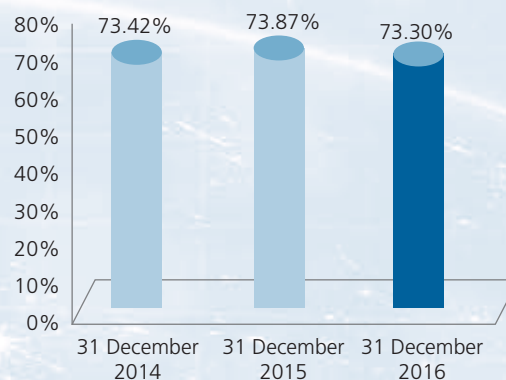
**Profit for the year attributable
to owners of the Company
(RMB in 100 million)**



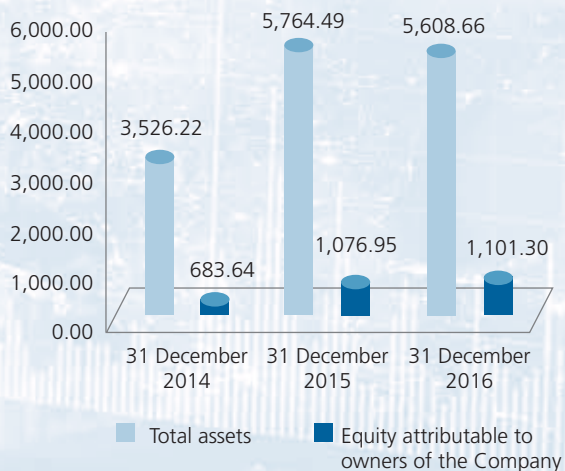
Weighted average returns on net assets



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

	2016	2015	2014	2013	2012
Revenue and other income	42,492,256	55,285,553	23,666,866	12,802,734	10,743,347
Total expenses	31,530,964	34,648,129	13,413,806	7,464,926	6,681,975
Profit before income tax	11,161,727	21,118,869	10,420,394	5,454,748	4,127,238
Profit for the year - attributable to owners of the Company	8,043,334	15,838,851	7,710,623	4,035,024	3,037,542

2. Assets

	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Total assets	560,865,846	576,448,892	352,622,149	169,123,603	126,482,104
Total liabilities	438,907,445	459,521,221	280,357,946	105,018,445	66,051,508
Accounts payable to brokerage clients	104,059,287	129,026,336	80,766,843	40,429,567	36,956,823
Equity attributable to owners of the Company	110,130,127	107,694,545	68,364,431	61,506,991	58,679,683
Share capital	11,501,700	11,501,700	9,584,721	9,584,721	9,584,721

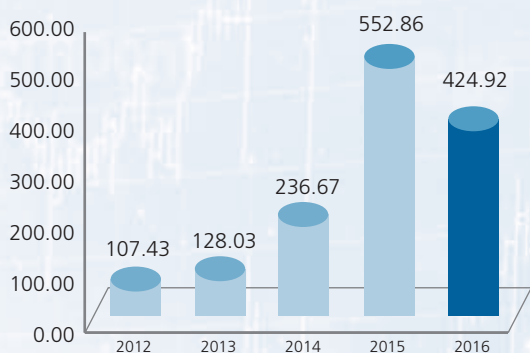
3. Critical financial indicators

	2016	2015	2014	2013	2012
Dividend per share					
Basic earnings per share (RMB/share)	0.70	1.48	0.80	0.42	0.33
Diluted earnings per share (RMB/share)	0.70	1.48	0.80	0.42	0.33
Weighted average returns on net assets (%)	7.39	17.56	11.88	6.70	5.66
Gearing ratio(%) ⁽¹⁾	73.30	73.87	73.42	50.19	32.50
Net assets per share attributable to owners of the Company (RMB/share)	9.58	9.36	7.13	6.42	6.12

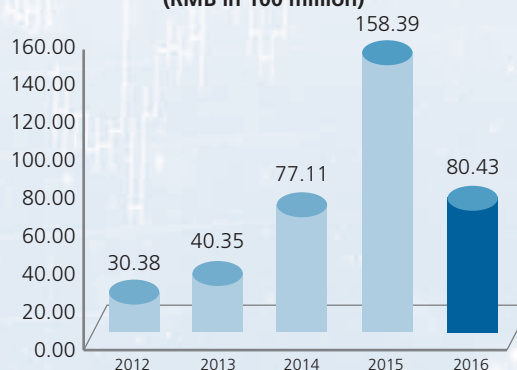
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

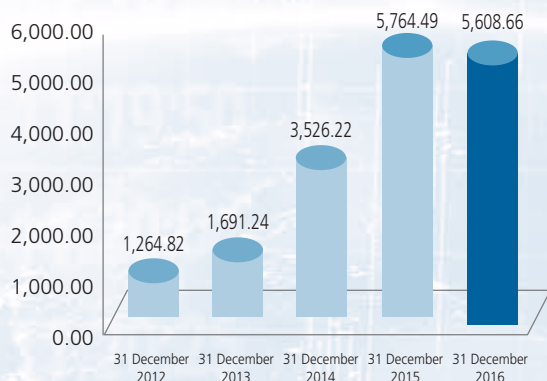
**Revenue and other income
(RMB in 100 million)**



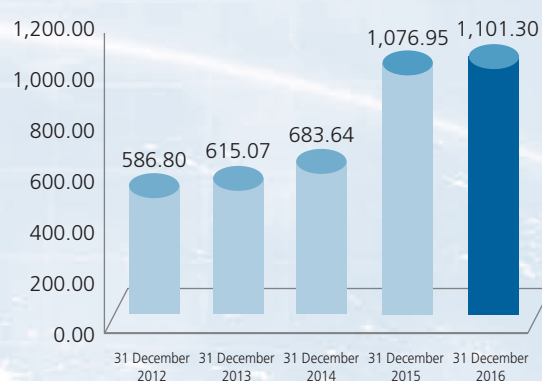
**Profit for the year attributable to
owners of the Company
(RMB in 100 million)**



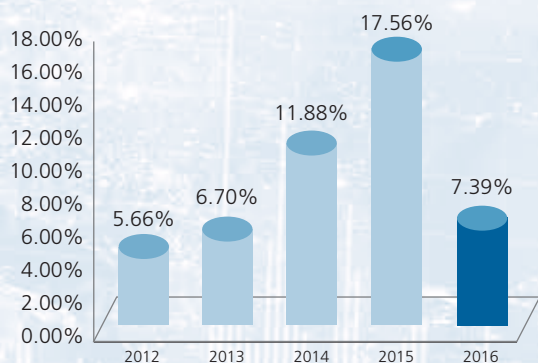
**Total assets
(RMB in 100 million)**



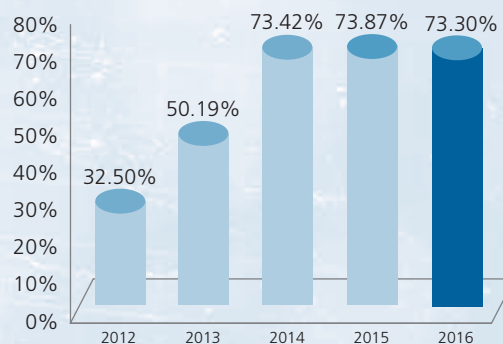
**Equity attributable to owners
of the Company (RMB in 100 million)**



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 2016 and 2015 and the net assets as at 31 December 2016 and 31 December 2015 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 2016, the net capital of the Company as calculated in accordance with PRC GAAP was RMB 78,664 million, representing a decrease of RMB 15,043 million as compared to the end of prior year (RMB 93,707 million). During the Reporting Period, all risk control indicators including net capital of the Company met the regulatory requirements.

Items	Unit: RMB'000	
	31 December 2016	31 December 2015
Net capital	78,663,534	93,706,662
Net assets	101,244,982	101,119,681
Risk coverage ratio (%)	258.90%	365.64%
Capital leverage ratio (%)	27.64%	25.18%
Liquidity coverage ratio (%)	155.23%	322.01%
Net stable funding ratio (%)	131.65%	128.47%
Net capital/net assets (%)	77.70%	92.67%
Net capital/liabilities (%)	52.56%	49.00%
Net assets/liabilities (%)	67.65%	52.87%
Proprietary equity securities and securities derivatives/net capital (%)	29.66%	26.67%
Proprietary non-equity securities and derivatives held/net capital (%)	80.98%	76.72%

Note: The net capital and related ratio at the end of last year have been restated in accordance with the Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016).

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 providing 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 proprietary trading 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.

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.

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

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 over 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.

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

In 2016, Shanghai-Shenzhen CSI 300 Index fell by 11.3%, SME Board Index decreased by 22.9%, Growth Enterprise Index (GEI) fell by 27.7%, and China Bond New Composite Index (net price) fell by 2.38%, with the overall investment environment in the market in a difficult situation. The transaction amount of stock fund in Shanghai Stock Exchange and Shenzhen Stock Exchange amounted to 260,000,000 million (bilateral), the second highest historically, representing a year-on-year decrease of 50% though. Market transactions remained relevantly active. The competition for brokerage business became increasingly fierce and average commission rate in the market continued to decrease. Benefiting from the increasing demand for direct financing, the underwritten amount as lead underwriter of equity financing and debt financing in the industry kept rapid growth. As at the end of 2016, the total asset under management of securities futures institutions reached RMB 51,800,000 million, representing an increase of 36%. In particular, the asset under management of securities companies accounted for RMB 17,600,000 million, representing an increase of 48%. In general, although operation in the industry faced bigger challenges with America entering into the rate rising cycle, domestic macroeconomic policies getting more steady and neutral and regulatory policies becoming increasingly strict, positive factors for industry development kept emerging and the steady and improved development trend remained unchanged.

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

With the deepening of supply-side structural reform and mix-ownership reform, the steady implementation of national strategy "One Belt One Road" and implementation of projects such as PPP, securities industry embraces new opportunities. In 2016, the Company continually stuck to the development strategy of "One Body, Two Wings (一體兩翼)", firmly headed for the development direction of conglomeration and internationalization, and steadily promoted the construction of the "four pillars". As at the end of 2016, the market ranking, capital scale and profitability of the Company's main businesses continued to maintain 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. 4. "Analysis on principal components of consolidated statement of financial position" under paragraph II (I) in Section IV for details.

Of which: off-shore assets of RMB 165,303,327,001.08, accounting for 29.47% of the total assets.

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 2016. The Company accumulatively raised funds RMB 62,600 million by capturing the favorable opportunity of downward interest rate to issue non-public corporate bonds, subordinated bonds, short-term financing bills as well as conducting usufruct transfer, gold forward transaction and refinancing, which 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 2016 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. Excellent comprehensive 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.

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

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

The Company has speeded up its new network layout. As at 31 December 2016, the Company had 332 securities and futures business departments (including 290 securities business departments and 42 futures business departments) spanning across 30 provinces, direct-controlled municipalities and autonomous regions in the PRC, as well as branches and subsidiaries in 14 countries and regions including Asia, Europe, North America and South America. 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 2016, the Company had over 9.8 million customers onshore and offshore.

4. Leading innovation capabilities 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, which creates a new arena for profit growth of the Company. The Company has maintained its leading positions in innovative businesses such as clients' financing business and OTC business, etc. developed in recent years. In the meantime, the Company continued 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 reached 27% in 2016, 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. Haitong International Securities has established its dominant position in Chinese securities institutions in Hong Kong, with its key financial indicators ranking top among those of the investment banks in Hong Kong in 2016. In particular, in terms of the IPO underwriting number and financing amount, the Company ranked the first, and in terms of the number of equity financing projects and financing amount, the Company ranked the second. Haitong Bank is a leading investment bank in Iberian regions, its business covering 14 countries and regions in Europe, North America, South America and Africa, 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.

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

6. Sound corporate governance, 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 28 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 risk isolation mechanism and appropriate 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 2016, the Company overcame the challenges to our operations caused by the severe volatility in stock market at the beginning of the year and in bond market at the end of the year, and maintained a good momentum of development by seizing the market opportunities of rapid development of direct financing and steadily promoting reforms and innovations. All the Company's major financial indicators such as total assets, net assets, operating income and net profit, were at a good history level, and all its major business indicators remained in the forefront of the industry. Conglomeration and internationalisation have become an important guarantee for the stable performance of the Company. The Company continued to promote conglomeration and made progress in more branches layout. While facilitating the establishment of international platform, the Company made breakthroughs in its business in Hong Kong, with its major business indicators ranking in the forefront of investment banks in Hong Kong. As its skills of asset and liability management further improved, the Company took advantage of lower rates to replace its previous debt with high cost with new bonds. The Company ranked top in the industry in terms of the scale of its financing business and actively promoted the stock pledge and financing business. As the market position of research function was further consolidated, the Company won awards in the selections sponsored by New Fortune Magazine. With steady progress in innovation, we obtained a number of business qualifications.

II. OPERATIONS DURING THE REPORTING PERIOD

As at 31 December 2016, the total assets of the Group amounted to RMB 560,866 million and the net assets were RMB 110,130 million. In 2016, the Group realized a revenue of RMB 42,492 million, representing a year-on-year decrease of 23.14%, and net profit attributable to the parent company amounted to RMB 8,043 million, representing a year-on-year decrease of 49.22%. The weighted average return on net assets was 7.39%, representing a year-on-year decrease of 10.17 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	14,941,655	9,764,683	34.65%	-46.40%	-41.02%	Decreasing by 5.96 percentage points
Asset management business	1,910,902	987,431	48.32%	-46.60%	-45.34%	Decreasing by 1.19 percentage points
Proprietary trading business	9,033,411	6,878,209	23.86%	-7.30%	63.28%	Decreasing by 32.91 percentage points
Investment banking business	2,219,593	1,012,510	54.38%	19.06%	23.37%	Decreasing by 1.60 percentage points
Direct investment business	1,082,125	271,560	77.13%	11.01%	33.93%	Decreasing by 2.07 percentage points
Financing lease business	3,332,235	2,215,050	33.53%	25.00%	10.63%	Increasing by 8.64 percentage points
Overseas business	7,813,764	7,102,068	8.69%	30.18%	80.37%	Decreasing by 25.71 percentage points

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(I) Analysis of principal operations

Securities and futures brokerage business

In 2016, the Company had 4.47% market share in terms of stock and fund trading value, ranking sixth in the industry, representing a slight decline as compared to last year. Number of customers of the Company maintained a rapid growth momentum with 1.96 million new costumers. Relying on the Internet, various channels and marketing team, the Company further strengthened its customer base with significant incremental benefits.

The Company actively promoted the stock-pledged financing business which continued to lead the market in terms of its scale. As at the end of 2016, trading volume of the Company's financing business hit RMB 140,600 million (including HT Asset Management), ranking the first in the industry.

The Company was highly praised by the market and customers for its effective preparation and promotion of Shenzhen-Hong Kong Stock Connect, ranking first in the industry in terms of its scale of Shenzhen-Hong Kong Stock Connect business. The retail strategy, directed by O2O concept and focusing on mobile Internet, gained significant intensive benefit and greatly enhanced the Group's ability to serve and expand large-scale retail customers. To meet business demands of high net worth clients and institutional clients, the Company integrated the wealth management, product investment and consulting and custody service to establish a new business chain, creating a new profit growth point.

The Company's futures business maintained a rapid growth. In 2016, Haitong Futures's market share in terms of its agency trading amounts is 8.43%, representing a year-on-year increase of 2.53%. Among which, with a market share of 11.9% and 8% in Shanghai Futures Exchange and China Financial Futures Exchange, respectively, the Company's futures business ranked first in the industry.

The Company's research institute again won awards in the "Best Analyst" selections in 2016 sponsored by New Fortune Magazine, ranked the first in the industry for its macro analysis and strategy analysis, and ranked among the top three in the industry in respect of ten research areas and segment subjects.

In 2016, securities and futures brokerage business achieved a total profit of RMB 5,177 million, accounting for 46.4%.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

Investment banking business

By reinforcing the investment banking team construction, facilitating the project expansion and speeding up the implementation of obtaining CSRC's approval for on going projects, the Company has achieved a record high in revenue. By strengthening business innovation, the Company has completed a number of landmark projects with great market influence. Among which, the "Major Assets Restructuring for Great Wall Computer merger and absorption with Greatwall Information through share swap" project was listed as key projects of SOE's restructuring in 2016 by the SASAC of the State Council; the "China Merchants Shekou Industrial Zone Holdings Co., Ltd. merging with China Merchants Property Development Co., Ltd. by absorption" project, became the first case of listing of A share by converting from A+B share in China; the "Giant Interactive Group Inc.'s backdoor listing" project, as the first case of return of China concept stock in game industry, drew the attention of M&A market; and our debt financing business was the first to introduce three bonds to the market, including the first green financial bond (RMB 30,000 million "SPD Bank Green Financial Bond"), the first green corporate bond (RMB 2,500 million "BAIC Motor Green Bond") and the first regional collective corporate bond (RMB 2,300 million "Hengjian Bond"). The Company, as lead underwriter, remained top in the industry in terms of the underwritten amount of equity financing business and debt financing business, and the total amount of M&A transactions. In particular, it ranked first in the industry with the underwritten amount of RMB 44,390 million of corporate bonds.

In 2016, investment banking business achieved a total profit of RMB 1,207 million, accounting for 10.8%.

Proprietary trading business

Despite the adverse market conditions, equity investment business outperformed the benchmark of the market and achieved good results; the fixed income investment business effectively avoided the impact of fluctuation in the bond market at the end of the year, outperforming the benchmark of the market and achieved good results. By investing more resources in businesses including treasury bond futures arbitrage, monetary market arbitrage, gold leasing and interest rate swap, the Company obtained the qualification as key dealer of credit risk mitigation tool, which further strengthened our FICC business platform.

In 2016, proprietary trading business achieved a total profit of RMB 2,155 million, accounting for 19.3%.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

Direct investment business

In 2016, the Company completed 90 investment projects, with an aggregate investment amount of RMB 4,000 million. The Company exited from a number of key projects and achieved a good profit. Haitong Capital ranked among the top ten of the “Most Active PRC Private Equity Investment Institutions with Best Returns in 2016” in the selection sponsored by CVINFO.

In 2016, direct investment business achieved a total profit of RMB 835 million, accounting for 7.5%.

Asset management business

The asset management business comprises three divisions, namely, HT Asset Management, HFT Investment and Fullgoal Fund, with an aggregate asset under management of RMB 1,480,000 million, representing an increase of 57%.

The Company’s PE business had assets under management of RMB 18,500 million, with eight new funds established during the year. RMB 2,800 million proceeds have been received.

In 2016, asset management business achieved a total profit of RMB 923 million, accounting for 8.3%.

Financing lease business

The total assets of Haitong UT amounted to RMB 48,500 million, and the rate of return on total assets was 2%. Leveraged on the advantage of conglomerate, it competed with peers on differentiated business. Business innovation has become an important driving force for the development of leasing business. In terms of retail business, following the completion of the iterative optimization of the Internet retail product “Che Rong Bao (車融寶)”, “Yun Tong Bao (運通保)”, an Internet retail factoring product, was launched successfully. In respect of institution business, it completed the first PPP leasing transaction, making our leasing products more diversified. Regarding international business, it delivered the first civil aircraft at Narita Airport in Tokyo, which was its first overseas leasing transaction, marking the first successful step towards internationalization.

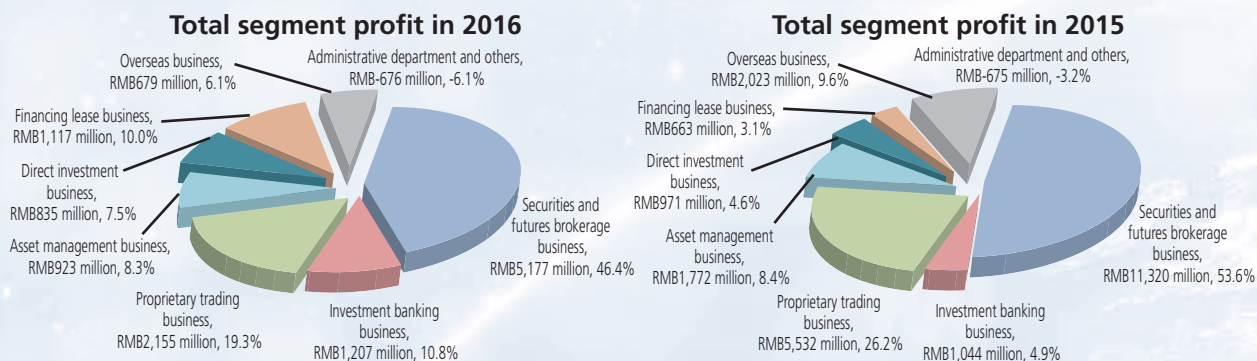
In 2016, financing lease business achieved a total profit of RMB 1,117 million, accounting for 10.0%.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

Overseas business

Through nearly seven years of integration and development, Haitong International Securities has developed into a mature international business platform for the Company outside the Mainland China and established the leading position among the PRC securities firms in Hong Kong. The major business indicators of Haitong International Securities remained in the forefront of the investment banks in Hong Kong in 2016. Among which, it secured its first position in terms of IPO underwriting number and financing amount, and acted as a joint bookrunner in the listing of Postal Savings Bank of China, the largest IPO project in the world in the last two years; it ranked the second in terms of the number of equity financing projects and financing amount, the first and third in terms of the number and amount of bonds underwritten, respectively, the first in terms of the number of M&A transactions, and the first among the PRC securities firms and fund management companies in Hong Kong in terms of the assets under management amounting to over RMB 56,000 million. The Company made steady progress in the adjustment and integration of Haitong Bank's organizational structure. Capitalized on the business platform of Haitong Bank in Europe and the Americas, the Company strengthened business collaboration and made some breakthroughs in business development. However, due to the European and Brazilian macroeconomic recession and the large one-time costs generated from the integration, Haitong Bank still faces greater challenges in its operation.

In 2016, overseas business achieved a total profit of RMB 679 million, accounting for 6.1%.



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

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

(1) Revenue and other income

In 2016, the total revenue and other income realized by the Group amounted to RMB 42,492 million, representing an year-on-year decrease of RMB 12,793 million or 23.14%. The revenue from the securities brokerage business and asset management business recorded a year-on-year decrease mainly due to the volatile securities market conditions in 2016. The revenue from the innovative business including margin financing and securities lending and stock pledge accounted for 27% of the Group's total revenue, representing a year-on-year decrease of 9 percentage points, of which:

- Commission and fee income amounted to RMB 12,711 million, accounting for 29.91% of total revenue and other income and representing a decrease of 41.73% as compared to the corresponding period of last year, mainly due to significant decrease in trading volume in the securities market and the decrease in revenue from the fee income of the brokerage business resulting from the volatile stock index prices;
- Net investment gains amounted to RMB 6,108 million, accounting for 14.37% of total revenue and other income and representing a decrease of 44.76% as compared to the corresponding period of last year, mainly because of the decrease in the revenue from the proprietary trading business due to the volatile market conditions;
- Other income and gains amounted to RMB 7,492 million, accounting for 17.64% of total revenue and other income and representing an increase of 83.02% as compared to the corresponding period of last year, mainly due to the increase in the sales revenue of the Company's subsidiaries.

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

Composition of revenue

Item	January – December 2016		January – December 2015		Unit: RMB'000 Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Composition
Commission and fee income	12,711,293	29.91%	21,812,616	39.45%	-9,101,323	-41.73%
Interest income	16,180,548	38.08%	18,322,037	33.14%	-2,141,489	-11.69%
Net investment gains	6,107,923	14.37%	11,057,133	20.00%	-4,949,210	-44.76%
Other income and gains	7,492,492	17.64%	4,093,767	7.41%	3,398,725	83.02%
Total revenue and other income	42,492,256	100.00%	55,285,553	100.00%	-12,793,297	-23.14%

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(2) *Total expenses*

In 2016, total expense of the Group amounted to RMB 31,531 million, representing a decrease of 9.00% as compared to the corresponding period of last year, which was mainly due to the decrease in staff cost, interest expense, brokerage transaction fees and other service expenses, of which:

- The interest expenses amounted to RMB 12,341 million, representing a decrease of 9.03% as compared to the corresponding period of last year, which was mainly because the Group timely decreased the size of financial assets sold under repurchase agreements and the accounts payable to brokerage clients decreased in light of the changes of conditions due to the fluctuation of the securities market;
- The staff costs amounted to RMB 6,168 million representing a decrease of 21.22% as compared to the corresponding period of last year, which was mainly due to the decrease in remuneration expense;
- The brokerage transaction fees and other service expenses amounted to RMB 1,036 million, representing a decrease of 60.90% as compared to the corresponding period of last year, which was mainly due to corresponding decrease in fees and other expenses resulting from the decrease in the transaction volume of the securities market;
- Other expenses mainly comprised operating expenditure, other operating expenses, as well as asset impairment losses, etc. Other expenses for the Reporting Period amounted to RMB 10,897 million, representing an increase of 19.61% as compared to the corresponding period of last year, which was mainly due to the increase in cost of sales of subsidiaries.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

The components of total expenses of the Group in 2016 are shown as below:

Unit: RMB'000

Total expenses	2016	2015	Increase/Decrease	
			Amount	Percentage
Staff costs	6,168,040	7,829,712	-1,661,672	-21.22%
Interest expenses	12,340,937	13,566,443	-1,225,506	-9.03%
Brokerage transaction fees and other services expenses	1,036,089	2,650,022	-1,613,933	-60.90%
Commission to account executives	710,195	1,192,138	-481,943	-40.43%
Depreciation and amortization	379,089	299,962	79,127	26.38%
Other expenses	10,896,614	9,109,852	1,786,762	19.61%
Total	31,530,964	34,648,129	-3,117,165	-9.00%

2. Public welfare contributions

During 2016, the Group contributed RMB 8,756 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 2016

Unit: RMB'000

Item	Amount during the period
Charity donations	8,681
Others	75
Total	8,756

SECTION IV REPORT OF THE BOARD OF DIRECTORS

3. Cash flow

In 2016, the Group's cash and cash equivalents recorded a net decrease of RMB 17,491 million, in which:

- (1) the net cash used in operating activities was RMB 19,268 million, which was mainly due to the effect of cash outflow of RMB 31,658 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:
 - as a result of the fluctuation of security market, a cash outflow of RMB 54,845 million due to the decrease in financial assets sold under repurchase agreements, and a cash inflow of RMB 13,049 million due to the decrease in advances to customers on margin financing;
 - cash inflow of working capital of RMB 15,597 million due to the decrease in financial assets at fair value through profit or loss;
 - cash outflow of RMB 9,448 million due to expansion of the business scale of leasing;
- (2) Net cash used in investing activities was RMB 31,578 million, mainly due to the increase in available-for-sale investments and loan and receivable investments.
- (3) Net cash from financing activities was RMB 33,355 million, including net cash inflow of RMB 37,766 million from the Group's borrowings and issuance of bonds.

4. Analysis on principal components of consolidated statement of financial position

As at the end of 2016, the total assets and the liabilities of the Group amounted to RMB 560,866 million and RMB 438,907 million, representing a decrease of 2.70% and 4.49% compared with those at the beginning of the year, respectively. Among the current assets, bank balances and cash and clearing settlement funds of the Group represented 23.43% 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 25.29% of its total assets; advances to customers on margin financing represented 11.27% of its total assets; financial assets held under resale agreements represented 11.34% of its total assets; while property and equipment represented 0.29% 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 statements of financial position:

	2016		2015		Unit: RMB'000	
	31 December	Composition	31 December	Composition	Increase/Decrease Amount	Percentage
Non-current assets	119,564,897		102,682,965		16,881,932	16.44%
Of which: Finance lease receivables	22,035,884	3.93%	17,472,135	3.03%	4,563,749	26.12%
Available-for-sale investments	45,269,933	8.07%	33,445,224	5.80%	11,824,709	35.36%
Other loans and receivables	5,684,365	1.01%	4,668,075	0.81%	1,016,290	21.77%
Investments accounted for using equity method	8,749,592	1.56%	5,136,607	0.89%	3,612,985	70.34%
Financial assets held under resale agreements	20,922,862	3.73%	17,223,078	2.99%	3,699,784	21.48%
Property and equipment	1,615,839	0.29%	1,317,178	0.23%	298,661	22.67%
Loans and advances	5,141,634	0.92%	5,648,299	0.98%	-506,665	-8.97%
Goodwill	4,118,734	0.73%	3,757,597	0.65%	361,137	9.61%
Current assets	441,300,949		473,765,927		-32,464,978	-6.85%
Of which: Bank balances and cash	119,217,791	21.26%	163,191,220	28.31%	-43,973,429	-26.95%
Clearing settlement funds	12,191,899	2.17%	15,747,116	2.73%	-3,555,217	-22.58%
Financial assets at fair value through profit or loss	92,347,494	16.47%	102,665,873	17.81%	-10,318,379	-10.05%
Advances to customers on margin financing	63,212,920	11.27%	76,324,967	13.24%	-13,112,047	-17.18%
Accounts receivable	6,929,537	1.24%	6,263,868	1.09%	665,669	10.63%
Financial assets held under resale agreements	63,600,363	11.34%	60,245,770	10.45%	3,354,593	5.57%
Finance lease receivables	14,519,336	2.59%	9,921,752	1.72%	4,597,584	46.34%
Available-for-sale investments	12,758,905	2.27%	11,045,127	1.92%	1,713,778	15.52%
Deposits with exchanges	7,359,343	1.31%	5,275,772	0.92%	2,083,571	39.49%
Derivative financial assets	3,935,071	0.70%	3,428,166	0.59%	506,905	14.79%
Other loans and receivables	32,787,054	5.85%	13,524,326	2.35%	19,262,728	142.43%
Total assets	560,865,846		576,448,892		-15,583,046	-2.70%

SECTION IV REPORT OF THE BOARD OF DIRECTORS

	2016		2015		Increase/Decrease	
	31 December	Composition	31 December	Composition	Amount	Percentage
Current liabilities	295,705,387		336,022,549		-40,317,162	-12.00%
Of which: Accounts payable to brokerage clients	104,059,287	23.71%	129,026,336	28.08%	-24,967,049	-19.35%
Financial assets sold under repurchase agreements	43,638,525	9.94%	90,951,854	19.79%	-47,313,329	-52.02%
Borrowings	46,659,113	10.63%	31,284,497	6.81%	15,374,616	49.14%
Placements from banks and other financial institutions	3,210,521	0.73%	1,512,362	0.33%	1,698,159	112.29%
Financial liabilities at fair value through profit or loss	38,063,861	8.67%	24,837,241	5.41%	13,226,620	53.25%
Derivative financial liabilities	2,594,009	0.59%	3,718,116	0.81%	-1,124,107	-30.23%
Other payables and accruals	19,866,992	4.53%	15,504,612	3.37%	4,362,380	28.14%
Short-term financing bills payables	19,864,117	4.53%	22,336,951	4.86%	-2,472,834	-11.07%
Customer accounts	4,757,573	1.08%	2,098,115	0.46%	2,659,458	126.75%
Tax liabilities	1,748,846	0.40%	3,895,438	0.85%	-2,146,592	-55.11%
Bonds payable	11,103,335	2.53%	10,793,748	2.35%	309,587	2.87%
Net current assets	145,595,562		137,743,378		7,852,184	5.70%
Non-current liabilities	143,202,058		123,498,672		19,703,386	15.95%
Of which: Bonds payable	117,191,857	26.70%	89,805,660	19.54%	27,386,197	30.49%
Long-term borrowings	14,489,442	3.30%	9,330,007	2.03%	5,159,435	55.30%
Financial assets sold under repurchase agreements	93,202	0.02%	7,624,682	1.66%	-7,531,480	-98.78%
Financial liabilities at fair value through profit or loss	575,770	0.13%	6,188,371	1.35%	-5,612,601	-90.70%
Placements from banks and other financial institutions	5,598,941	1.28%	5,747,990	1.25%	-149,049	-2.59%
Total liabilities	438,907,445		459,521,221		-20,613,776	-4.49%
Total equity	121,958,401		116,927,671		5,030,730	4.30%

* 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 2016, the Group's non-current assets were RMB 119,565 million, representing an increase of 16.44% as compared with the beginning of the year, mainly due to the significant fluctuation in the stock market in 2016. The Group timely increased fixed income products and available-for-sale investments; and finance lease receivables of Haitong UT increased.

Current assets and liabilities

As at the end of 2016, the Group's net current assets amounted to RMB 145,596 million, representing an increase of RMB 7,852 million, or 5.70%, as compared with RMB 137,743 million at the beginning of the year, mainly due to the decrease in the current assets, which is less than that in the current liabilities.

The decrease in the Group's current assets was mainly due to: 1) significant fluctuation in the market in 2016 and the decrease in the trading volume, which led to the capital outflow from the stock market and securities companies and the decrease in bank balances and cash and clearing settlement funds as compared with the previous year; 2) the substantial fluctuations of the market, which led to the decrease in margin loan and the decrease in advance to customers on margin financing as compared with the previous year.

The decrease in the Group's current liabilities was mainly due to: 1) the decrease in the trading volume in the securities market in 2016 and the decrease in accounts payable to brokerage clients; 2) the moderate decrease in the scale of financial assets sold under repurchase agreements in light of the conditions in the market.

Non-current liabilities

The increase in the Group's non-current liabilities was mainly due to its financing activities by means of corporate bonds, subordinated bonds, mid-term notes and asset-backed securitization, which lead to the increases in the bonds payable and the long-term borrowings of Haitong UT.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

Borrowings and bond financing

As at 31 December 2016, the total borrowings and bond financing of the Group amounted to RMB 209,308 million. Set out below is the breakdown of borrowings and bond financing of the Group at the end of 2016:

	31 December 2016	<i>Unit: RMB'000</i> 31 December 2015
Bonds payable	128,295,192	100,599,408
Borrowings	61,148,555	40,614,504
Short-term financing bills payables	19,864,117	22,336,951
Total	209,307,864	163,550,863

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 2016, the Group's borrowings, short-term financing bills payables and bonds payable within one year amounted to RMB 77,627 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 RMB 145,596 million. Therefore, liquidity risk exposure of the Group was immaterial.

Except for the liabilities disclosed in this Report, as at 31 December 2016, 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.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

5. Research and development expenditure

To promote innovation in securities business, adapt to new transaction types and demand from customers, and enhance the operating efficiency and management effectiveness, the Company invested RMB 108,742.9 thousand in the software and hardware of the information management system by way of self-development and commissioned development.

(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.

(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 RMB 8,750 million, representing an increase of RMB 3,613 million, or 70.33%, as compared with RMB 5,137 million at the end of the previous year, mainly due to the increase of equity investments in the subsidiaries of Haitong International Holdings and Haitong Capital. Please refer to Note 23 to the appended financial report for details of the investments accounted for using equity method.

(1) Material equity investments

Unit: RMB'000

Name	Shareholding in the company	Carrying value as at the end of the period	Profit and loss during the Reporting Period	Changes in equity of owners during the Reporting Period
Fullgoal Fund Management Co., Ltd.	27.775%	681,741	208,841	-12,215

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 RMB 92,347 million, available-for-sale investments of RMB 53,318 million, and derivative financial tools of RMB 1,341 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 Shareholder's class meeting of 2015 and its 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 Additional 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 non-public issue of 1,916,978,820 overseas listed foreign shares (i.e. H Shares) with a nominal value of RMB 1.00 each, at an issue price of HKD 17.18 each, receiving a total amount of HKD 32,933,696,128.00. After deducting the issuing costs of HKD 186,696,098.00, the net proceeds amounted to HKD 32,747,000,030.00. As at 31 December 2015, the proceeds and overseas and domestic interests amounted to HKD 32,748,280,742.10 (equivalent to RMB 26,238,647,735.44), which have been all utilized as of 31 December 2016.

Unit: RMB 10,000

Year of fund raising	Fund raising methods	Total proceeds	Total proceeds used during the Reporting Period	Total accumulated proceeds used	Total unutilized proceeds	Use and purpose of unutilized proceeds
2015	Private placement	2,623,864.77	2,623,864.77	2,623,864.77	-	Used to develop the margin financing and securities lending business of the Company/used to develop the structured products sales and trading business of the Company
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 2016, the actual uses of proceeds by the Company were in line with its proclaimed commitment. 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: RMB 10,000

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 (Note)	Explanations	
									on failure to achieve the schedule and expected revenue	Reasons of changes and explanations on change in proceeds
Approximately 60% was used to develop the margin financing and securities lending business of the Company	No	1,573,973.62	1,573,973.62	1,573,973.62	Yes	100%	-	-	-	-
Approximately 15% was used to develop the stock repo and the stock pledged repo business of the Company	No	393,171.85	393,171.85	393,171.85	Yes	100%	-	-	-	-
Approximately 10% was used to develop the structured products sales and trading business of the Company	No	262,114.57	262,114.57	262,114.57	Yes	100%	-	-	-	-
Approximately 5% was used to increase share capital in Haitong Capital, for the development of direct investment business of the Company	No	130,000.00	130,000.00	130,000.00	Yes	100%	-	-	-	-
Approximately 10% was used to supplement working capital of the Company	No	264,604.73	264,604.73	264,604.73	Yes	100%	-	-	-	-
Total	/	2,623,864.77	2,623,864.77	2,623,864.77	/	/	-	/	/	/

Use of proceeds on committed projects

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

Note: As the proceeds had been fully utilized during the year, as such no further disclosures are made for corresponding performance profile of proceeds from issuing H shares.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(IV) Analysis on major controlling/shareholding companies

1. HFT Investment, with a registered capital of RMB 150 million, in which Haitong Securities owned 51% equity interests. As at 31 December 2016, HFT Investment had total assets of RMB 1,352 million, net assets of RMB 947 million. In 2016, it recorded an operating income of RMB 564 million, with a net profit of RMB 135 million.
2. Fullgoal Fund, with a registered capital of RMB 300 million, in which Haitong Securities owned 27.775% equity interests. As at 31 December 2016, Fullgoal Fund had total assets of RMB 4,290 million, net assets of RMB 2,455 million. In 2016, it recorded an operating income of RMB 2,470 million, with a net profit of RMB 752 million.
3. Haitong-Fortis PE, with a registered capital of RMB 100 million, in which Haitong Securities owned 67% equity interests. As at 31 December 2016, Haitong-Fortis PE had total assets of RMB 285 million, net assets of RMB 199 million. In 2016, it recorded an operating income of RMB 178 million, with a net profit of RMB 79 million.
4. Haitong Futures, with a registered capital of RMB 1,300 million, in which Haitong Securities owned 66.667% equity interests. As at 31 December 2016, Haitong Futures had total assets of RMB 25,377 million, net assets of RMB 2,631 million. In 2016, it recorded an operating income of RMB 6,748 million, with a net profit of RMB 310 million.
5. Haitong International Holdings, with a registered capital of HKD 8,850 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2016, Haitong International Holdings Limited had total assets of HKD 236,814 million, net assets attributable to parent company of HKD 10,978 million. In 2016, it recorded an income of HKD 12,301 million, with a net profit of HKD 1,452 million.
6. Haitong Capital, with a registered capital of RMB 10,650 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2016, Haitong Capital had total assets of RMB 17,626 million, net assets attributable to parent company of RMB 13,759 million. In 2016, it recorded an operating income of RMB 1,222 million, with a net profit of RMB 696 million.
7. Haitong Innovation Securities, with a registered capital of RMB 3,500 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2016, Haitong Innovation Securities had total assets of RMB 8,061 million, net assets of RMB 4,669 million. In 2016, it recorded an operating income of RMB 673 million, with a net profit of RMB 538 million.
8. HT Asset Management, with a registered capital of RMB 2,200 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2016, HT Asset Management had total assets of RMB 13,236 million, net assets of RMB 3,364 million. In 2016, it recorded an operating income of RMB 535 million, with a net profit of RMB 120 million.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(V) Structured entities controlled by the Company

1. *Establishment of special purpose entities controlled by the Company during the Reporting Period*

During the Reporting Period, there were five new special purpose entities under the control of the Company, namely Haitong International Strategic Investment Europe Limited, Haitong Fixed Income Investment Manager Limited, Haitong International New Energy VIII Limited, Haitong International New Energy IX Limited and Haitong Unitrust No.1 Limited.

- (1) Haitong International Strategic Investment Europe Limited was established as a wholly-owned subsidiary of Haitong International Holdings (the Company's wholly-owned subsidiary in Hong Kong) on 5 January 2016 in British Virgin Islands, with an authorized capital of USD 50,000 and a paid-in capital of USD 1.
- (2) To further promote the Company's cross-border fixed income investment management business, Haitong Fixed Income Investment Manager Limited was incorporated by Haitong International Global Strategic Investment Limited (a special purpose entity and the wholly-owned subsidiary of Haitong International Holdings) in August 2016 in Cayman Island, with an authorized capital of USD 50,000 and a paid-in capital of USD 1.
- (3) Haitong International Securities, a subsidiary of Haitong International Holdings established the following independent legal entities for the purpose of the Company's third-party sales business: 1) Haitong International New Energy VIII Limited, which was established on 11 January 2016 in British Virgin Islands, with an authorized capital of USD 50,000 and a paid-in capital of USD 1; 2) Haitong International New Energy IX Limited, which was established on 11 January 2016 in British Virgin Islands, with an authorized capital of USD 50,000 and a paid-in capital of USD 1.
- (4) Haitong Unitrust No.1 Limited is wholly-owned by Haitong UT, a wholly-owned subsidiary of the Haitong International Holdings, and was registered in Ireland on 18 October 2016, with a registered capital of USD 1 million. Haitong Unitrust No.1 Limited is formed as a special purpose entity to commence aircraft leasing business for Haitong UT.

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

The Company has determined to include 19 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.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(VI) 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 did not establish or open new securities business departments, 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 111 unqualified capital accounts (including 60 unqualified cash-only accounts), 3,670 small-amount-dormant capital accounts (including 319 cash-only small-amount-dormant accounts), and 226 dormant accounts without risk management. As at 31 December 2016, the Company still had 26,112 unqualified capital accounts (including 23,031 unqualified cash-only capital accounts), 1,544,178 small-amount-dormant capital accounts (including 445,653 cash-only small-amount-dormant capital accounts) and 97,987 dormant accounts without risk management.

3. *Development of innovative business*

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

- (1) Giving active impetus to all innovative businesses led by the regulatory authorities and obtaining a number of business qualifications. The Company is among the first group of securities companies obtaining the business qualification of Southbound Trading and the pilot membership qualification on the Shanghai Commercial Paper Exchange Corporation Ltd. The Company was qualified to be the key dealer of credit risk mitigation tool, creator of credit risk mitigation warrant and creator of credit-linked notes. Shanghai Pilot Free Trade Zone Branch of the Company becomes a Class-A international member of Shanghai Gold Exchange and has joined in the CNYFAST in Shanghai Free Trade Zone. Both HFT Investment and Fullgoal Fund are among the first group of fund management companies obtaining the qualification of basic pension insurance fund securities investment management. Two pilot projects of over-the-counter option applied by Haitong Futures were approved by Dalian Commodity Exchange. Shanghai Haitong Resource Management Co., Ltd. obtained from China Futures Association the qualification for market making business. The subsidiary of Haitong Bank in the US was granted the US brokerage dealer license.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

- (2) Continuously promoting its independent innovation to provide innovative business solutions to customers. The Company completed the first project collective bond “Hengjian Project Collective Bond”, the first green corporate bond “BAIC Motor Green Bond” and the first green financial enterprise bond “SPD Bank Financial Bond for 2015” in the PRC. The green bond product line has been nominated as Shanghai Financial Innovation Awards in 2016. The “China Merchants Shekou Industrial Zone Holdings Co., Ltd merging with China Merchants Property Development Co., Ltd by absorption” project, as an example of reorganization of state-owned property companies, became the first case of listing of A share converting from A+B share on the Shenzhen Stock Exchange. The “Giant Interactive Group Inc.’s backdoor listing” project, as the first case of return of concept stock in game industry, drew the attention of M&A market. As over-the-counter market business continues to promote the product design and innovation, the Company is the first in the industry to carry out the listing and transfer of asset-backed securitization products in over-the-counter market. In Europe, Fullgoal Fund successfully issued the first PRC bond ETF listed overseas.
- (3) The Company’s 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, and 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.

III. DISCUSSION AND ANALYSIS ON THE COMPANY’S FUTURE DEVELOPMENT

(I) Industry landscape and trends

As it is the long-term trend that indirect financing system transforms to direct financing system, and the demand for cross-border investment and financing increases, the SOE reform and supply-side reform will accelerate, and a series of internationalization and market-oriented reform of the capital market will be deepened. 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, affected by the rapid development of Internet finance, lower entry barrier for the industry as well as the development of financial market from “regulated and innovative” to “stable and healthy”, the fundamentals for making profits in the securities industry will change dramatically while development space will be suppressed in the short term and industry competition will intensify. The development of the securities industry is expected to see the following trends: 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 operations in terms of businesses and services, capital drives, integration, products and Internet; 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.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(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 Haitong as a domestic leading and globally influential financial service group with online securities, wealth management securities, SME securities and institutional securities as the core.

(III) Business plan

In 2017, 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 businesses such as brokerage, investment banking and asset management, while continuing to consolidate its status as an industry leader of capital intermediary business. With more inputs to the research, layout and investment of new businesses such as domestic FICC and cross-border investment and financing, the Company will expand business blue ocean, cultivate new profit growth point, and continue to enhance the Company's operating efficiency, standardization and management capabilities, so as to enhance the Company's comprehensive competitiveness.

The Company will focus on the following works: deepen the reform and transformation of branches; seize the development opportunities of investment banking business; further expand the scale of the financing business and asset management business; accelerate international development in all respects; deepen the adjustment of organizational structure of the Company; further strengthen the conglomeration operation and monitoring capacity; enhance the asset and liability management capacity; significantly strengthen business pillars including compliance management, risk management, information technology management and human resource management; and foster the brand and corporate culture.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(IV) Potential Risks and Prevention Measures

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 is 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

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 mainly refers to the risk of loss of its self-owned funds investment due to adverse changes in market prices (stock prices, interest rates, exchange rates, etc.) in the Company's business activities.

- A. Stock price risk. Stock price risk mainly refers to the risk of changes in the market price of the equity securities invested which could bring loss to the Company. The businesses with such risk mainly include equity securities proprietary trading business, market-making business and over-the-counter derivatives business. With high uncertainties, stock price risk is one of the major market risks that the Company faced. The Company closely monitors the price fluctuation of the relevant asset and has adopted relevant preventive measures.

In 2016, the domestic stock market in China fluctuated within the box shock interval and showed a downward trend for the year. SSE Composite Index, for example, dropped progressively from high point of 3,536.59 points at the beginning of January 2016 and slumped to the lowest point of 2,638.30 points. As at 30 December 2016, SSE Composite Index closed at 3,103.64 points, amounting to a cumulative decrease of 12.31%. During the same period, SZSE SME Price Index and SZSE ChiNext Price Index tumbled 22.89% and 27.71% respectively. In addition, the level of volatility of the stock market in 2016 has decreased as compared with that at the end of last year. SSE iVIX, for example, dropped progressively from 27.95% at the beginning of January 2016 to 17.22% as at 30 December 2016, representing a decrease of 38.39% from the beginning of the year.

The Company constantly tracks any variation in investment amount and value-at-risk of securities positions to monitor the impact of relevant risks. By implementing diversified investment strategies, the Company 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

- B. Interest rate risk. Interest rate risk refers to the risk resulted from market interest rate fluctuations. The Company's assets which are exposed to interest rate risk mainly include monetary deposits, bond investment, financing business and debt issue, etc. In the first half of 2016, the PRC central bank implemented one RRR cut and utilized monetary policy instruments such as combination of SLF and MLF, which created conditions for relatively loose funds. In 2016, the China bond composite full-price index showed a fluctuated downward trend, with an upward trend during volatility until the end of March and then declining until the end of April while climbing in a shock situation till the end of October. After a substantial drop until late December, the index saw a slight rebound. The China bond composite full-price index closed at 117.34 at the end of 2016, representing a decrease of 1.63% from the end of last year. The Company managed interest rate risk by employing methods 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.
- C. 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 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 and caused difficulties in management. 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. Apart from hedging instruments, the Company also focused on the natural match between foreign currency assets and liabilities from the group level to reduce the foreign exchange risk exposure. In addition, the parent company is qualified to carry out overseas financing, which will help the Company to prevent and control the exchange rate risk. As at 31 December 2016, the Group's exchange rate risk had no material impact on the financial statements.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

Save as the abovementioned risks, overseas investment businesses conducted by the Group are also exposed to relevant market risk. Overseas investment businesses conducted by the Group include overseas investment businesses directly conducted by the parent company and investment businesses conducted by the overseas subsidiaries of the Group. Therefore, fluctuations of each element of market risk around the world may affect the overall profit or loss of the Group. In respect of overseas investment businesses directly conducted by the parent company, the Company currently includes them into the limit system of overall market risk so as to achieve unified management. In respect of investments businesses conducted by the overseas subsidiaries of the Group, the respective subsidiaries formulated and implemented the corresponding risk limits and risk management policies as well as reported to the parent company on the implementation of risk limits on a regular basis.

(3) *Operational risk*

Operational risk refers to risks associated with losses arising from the defects of the internal processes, human, system or external events. Operational risk usually includes the risks resulting from intra-company human-errors in operation, internal process defects, information system fault and other reasons, as well as the risks caused by fraudulent conducts outside 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.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(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. During the Reporting Period, as the total scale of financing businesses of the Company stabilized and liabilities matured successively, the Company's excess liquidity reserves gradually decreased, leading the liquidity level back to normal. The Company's own reserve funds are sufficient, and the overall liquidity risk exposure remains stable and healthy.

In respect of daily liquidity risk management, the Company has always embraced the mindset of "proper and even conservative risk control" and successfully contained liquidity risk exposure within a reasonable range through reasonable monitoring mechanism and adjustment measures by adhering to the pre-determined liquidity risk preferences and limit requirements of risk indicators. The Company established a long-term mechanism for the forecast of the position. Through the analysis on the maturity of liabilities and the capital used for businesses, the Company calculated the liquidity regulatory indicators on a daily basis, which improved the level of meticulous management on liquidity risk while ensuring the business compliance. The Company established a multi-level stress testing and analysis system to estimate the possible peak of capital to be used, so as to guide the Company to reserve quality liquidity in strict compliance with the relevant internal regulations and measures. During the Reporting Period, the Company continued to amend liquidity risk emergency plans and completed the first liquidity risk emergency rehearsal within the Group on 30 June 2016, which further improved its capabilities of daily liquidity risk prevention and control.

In respect of mid-term and long-term liquidity risk management, the Company adopted forward-looking analysis and counter-cyclical adjustment to actively adjust its debt structure, and continued to optimize its capital allocation in line with the trend of asset-side business. During the Reporting Period, the Company took advantage of the favorable external financing environment to replace the debts with high costs and further optimize its debt structure, which resulted in an effective decrease in its debt costs. We put emphasis on maintaining good cooperative relationship with major commercial banks, and maintained and expanded financing channels, which further mitigated the effects on the liquidity condition of the Company caused by structure mismatches of its assets and liabilities and reserved a reasonable amount of capital to develop its asset business in the future.

On the whole, during the Reporting Period, the Company's liquidity risk exposure in each maturity structure contained within a reasonable range, which could ensure that the Company is able to continue its stable operation under stress, and the overall liquidity risk is under control.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

2. Reflection of main risk factors in this Reporting Period

- (1) As at the end of December 2016, the average maintenance guarantee ratio of our customers in margin financing and securities lending business was 279.94%, and the average performance guarantee ratio of our customers in stock repo transaction and stock pledged repo business were 205.51% and 262.93%, respectively. The collaterals provided by the lenders are sufficient, and the overall credit risk of the financing business is under control.

In addition, as at 31 December 2016, the non-performing asset ratio of the total assets of Haitong UT was 1.11%, with a provision coverage ratio of 296%, indicating smooth operation of each business.

- (2) The ratio of VaR to net assets at the end of each month in 2016 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.

In 2016, the scale of the Company's equity securities investment kept steady as a whole. Besides traditional momentum investment, the Company actively conducted innovative business models such as options market making and over-the-counter options. In executing the above innovative business models, the Company adhered to risk-neutral investment strategy, and effectively controlled the relevant risk exposures.

Based on the trends of and the Company's judgments on bond market and liquidity management needs, the Company flexibly adjusted allocation of non-equity securities and the scale of overall investment of non-equity securities of the Company remained stable with certain increase during the year. The whole portfolio duration was under control and remained relatively stable at the end of each month. The average investment duration at the end of 2016 was 2.50, representing a slight decrease as compared with 2.84 at the end of 2015. In 2016, the Company maintained an overall sound market risk control over its fixed income investments.

In addition, 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 RMB 19,457 million in 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.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

- (3) The Company adheres to standard operation procedures in general and does not have significant operational 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 stable capital market and the issuance of corporate bonds by the Company to supplement funds, the Company's pressure on the management of liquidity risk was lessened, and risk control indicators including the liquidity coverage ratio and net stable fund ratio kept in compliance with the regulatory and internal management requirements. 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 its various 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, enhancing knowledge about the global financial markets, and increasing corporate competitiveness and overall risk management capability.
- (2) Insisting on improving corporate governance structure. The Company continues 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 Directors, to give full play to the supervision role of the Supervisory Committee to the Board and manager-level officers to protect the legal interests of the Company and its shareholders. Meanwhile, the Company strengthens the functions of risk management and internal audit to give full play to its role in preventing, controlling and addressing risks, and also enhances the Group's compliance management.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

- (3) 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. Pursuant to the new measures on risk control indicators management, it continues to exercise the monitoring and management of risk control indicators, gradually improves the group-level risk summary reporting system, and provides related trainings to promote the establishment of system.
- (4) Proactively implementing its capital replenishing plans and enhancing its capital strengths through measures such as equity financing and debt financing.
- (5) Strengthening compliance and risk management. The Company continues to improve various compliance management functions and risk management standards. In accordance with the requirements of the latest Standards of Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》) published by the Securities Association of China, the Company takes the initiative to explore and study the effective measures on group compliance and risk management under the conglomeration operation model, and has incorporated the subsidiaries into the unified compliance management and risk management system of the Group, continuously improving 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 real-time monitoring system is improved 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) Improving risk response mechanisms. The Company devotes itself to establishing risk management systems and process towards various businesses, to having full acknowledge of operation patterns and valuation models of various businesses, basic assumption of risk management, various major risks and potential losses with such pressure, and to continually improving various risks management process including risk monitoring, risk response, risk report and risk disposals.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

- (7) 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, financial management, 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.
- (8) Adhering to optimizing internal control system. The Company is implementing the Basic Standards for Enterprise Internal Control and its supporting guidelines in full, and conducting regularly internal control self-evaluation.
- (9) Strengthening investor education and appropriateness management. The Company insists on conducting investor education and strengthens customer appropriateness management. Beginning with knowing about customers, the Company properly undertakes basic works for investor education, works on customer and product management at different levels, reveals the risks to investors in a timely manner, intensifies customer service awareness, evaluates and classifies risks concerning products and services to provide proper products and services to proper investors. At the same time, the Company integrates customer resources and enhances customer data analysis and service capabilities.
- (10) 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.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(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 (Order of the CSRC No. 125), 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 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 sheet, statement of risk control indicators monitoring and calculation sheet of risk capital reserves (since October 2016, additional sheets such as calculation sheet of the total on-balance-sheet and off-balance-sheet assets, calculation sheet of liquidity coverage rate and calculation sheet of net stable funding rate are required) within T+1 days. These measures were taken to ensure that various risk control indicators including net capital etc., are in line with regulatory requirements at any time point.

2. *Establishment of net capital replenishment mechanism*

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

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

The Company always adheres to the philosophy of sound business, and focuses on risk management to maintain a reasonable capital structure. As at the end of Reporting Period, net capital of the Company was RMB 78,664 million, net asset was RMB 101,245 million and net gearing ratio was 77.70%. 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.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

In 2016, the Company conducted sensitivity analysis or stress testing on significant events including upper limitation of business scale adjustment, issuance of debt instruments, 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 2016, the Company conducted a total of 44 sensitivity analysis and stress testing on risk control indicators, 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.

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.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

The main duties of the general compliance officer include: review on compliance of the Company's internal management system, major decisions, new products and new business programs, and issuance of written compliance review comments; supervision on operation and management of the Company and its staff and compliance of their practice, and regular or irregular inspections in accordance with the requirements of the securities regulatory authorities and the requirements of the Company; organization of implementation of anti-money laundering and the Chinese wall system; provision of compliance consultation and compliance training for the senior management, and all departments and branches, and handling of complaints and reports in relation to illegal activities and irregularities of the Company and its staff; reporting to the Board in a timely manner once illegal behaviors and irregularities and compliance risks are discovered and meanwhile, to securities regulatory bureau in the domicile of the Company, and to the self-regulatory organizations in respect of the conducts in violation of industry standards and self-regulatory rules; making suggestions on curbing and handling illegal behaviors and irregularities and compliance risks to relevant organizations and departments of the Company and urging rectification; advising on changes in laws, regulations and standards in a timely manner to the Board or the senior management and procuring related departments to assess the effects on compliance management, and to modify and improve the relevant management system and business processes; maintaining communication with securities regulatory authorities and relevant self-regulatory organizations, and proactively cooperating with the securities regulatory authorities and relevant self-regulatory organizations; and other duties as required by laws, regulations, rules and regulatory documents and as delegated by the Board.

The compliance and risk management department has been set up to fulfill the compliance management duties, mainly including: assisting the General Compliance Officer in fulfillment of compliance management duties and development of compliance management policies and plans; compiling annual and semi-annual compliance reports; drawing up the compliance documents such as compliance management systems, compliance manuals and training materials, etc.; monitoring the potential compliance risks; reviewing, assessing and managing the qualifications of the compliance officers in all departments, branches and subsidiaries; implementing the Chinese wall system, anti-money laundering management and compliance risk management of foreign exchange; participating in significant lawsuits and non-lawsuit activities as a proxy and providing guidance; managing compliance work manuscripts such as compliance review, consultation and inspection of General Compliance Officer and the department and duty performance records of General Compliance Officer; other duties delegated by the Board and General Compliance Officer.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

The compliance duties of the compliance officers of various departments, branches and subsidiaries mainly include implementing compliance policies, and performing compliance management schemes; conducting review, supervision and inspections on various business of the relevant unit; conscientiously fulfilling the compliance reporting system; actively cooperating with regulatory authorities and the compliance department in the inspections and making appropriate implementation of rectification; communicating with the regulatory authorities to keep abreast of regulatory developments; organizing the staff of the department to learn the compliance system, carrying out education of compliance culture, and making records and management of files; other duties granted by the compliance department. The Company has appointed compliance officers for all departments, branches, business departments and subsidiaries. Most of the compliance officers are deputy general managers or assistants to general manager who are in charge of compliance and risk management of each department, chief operating officers of the branches or inspectors of the funds. The compliance management personnel in position have strongly guaranteed the effective implementation of compliance management.

The compliance management department and the audit department conduct inspections on a regular basis including compliance inspections, regular inspections and management inspections in respect of main business lines, including brokerage, proprietary investment business, investment banking business, margin financing and securities lending business and asset management business etc. The Company's internal control and management level has been enhanced greatly through compliance audit and inspections, and corresponding compliance assessment and accountability of the implementation of laws, regulations and rules of the Company, and operation and management of various departments and branches. Meanwhile, in view of the new features and new problems in the securities industry, the Company actively carries out research and deepens the compliance management and comprehensive risk management to ensure and promote the sustainable and healthy development of the Company.

(VII) Others

✓ Not Applicable

IV. THE SITUATION THAT THE COMPANY FAILED TO DISCLOSE INFORMATION DUE TO NON-APPLICABILITY TO THE STANDARDS OR SPECIAL REASONS SUCH AS STATE SECRETS AND TRADE SECRETS AND THE RELEVANT REASON DESCRIPTION

✓ Not Applicable

SECTION V SIGNIFICANT EVENTS

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

(I) 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 dividend policy strictly in accordance with the Articles of Association, which have been considered and passed by the Board and general meeting of the Company. Standards and percentage of dividend distribution were definite and clear. The Company has established relevant comprehensive procedure and system for decision making, and independent 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 RMB 15,699 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 2015. From 2007 to 2015, 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%, 148.25% and 54.71% 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 2015 profit distribution plan of the Company was completed on 20 July 2016. On the basis of the total share capital of 11,501,700,000 shares of the Company, cash dividend of RMB 4.50 (tax inclusive) for every 10 shares were distributed to all the shareholders, with total cash dividend amounting to RMB 5,175,765,000.00.

(II) 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, net profit for the year 2016 attributable to owner of the parent company in the consolidated financial statements of the Group was RMB 8,043,334,519.30 and the net profit of the parent company for 2016 was RMB 5,724,675,393.85.

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 2016, each amounting to RMB 572,467,539.39, totaling RMB 1,717,402,618.17 and profit available for cash distribution to investors for 2016 was RMB 4,007,272,775.68. By adding the retained profits of RMB 19,830,808,372.86 at the beginning of the year of the Company, and deducting the dividends of RMB 5,175,765,000.00 distributed on implementation of the profit distribution scheme for 2015, the Company's retained profits amounted to RMB 18,662,316,148.54 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 2016 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 2016, cash dividend of RMB 2.20 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 RMB 2,530,374,000.00. The retained profits of the Company of RMB 16,131,942,148.54 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 2016 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 2016 by the 2016 annual general meeting.

The Company will announce in due course the date of convening the 2016 annual general meeting, and for the purpose of ascertaining the entitlement of the shareholders to attend and vote at the 2016 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 ordinary shareholders 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 ordinary shareholders of the Company in the consolidated financial statements (%)
2016	0	2.2	0	2,530,374,000.00	8,043,334,519.30	31.46
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

(III) Repurchase of shares under cash offer included in cash dividend

✓ Non-applicable

(IV) If the Company records profits and the parent company records positive retained profits for distribution to 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

SECTION V SIGNIFICANT EVENTS

II. PERFORMANCE OF UNDERTAKINGS

- (I) **Undertakings made by the Company's de facto controller, shareholders, related parties, acquirers, the Company and other related undertakers during the Reporting Period or subsisting in the Reporting Period**

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

- (II) **The Company's explanation on whether the earnings estimate on assets or projects was met and its reasons in the situation that earnings in the Company's assets or projects is estimated, the period of which includes the Reporting Period**

✓ Non-applicable

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.

IV. EXPLANATIONS OF THE COMPANY ON "NON-STANDARD OPINION AUDIT REPORT" OF ACCOUNTING FIRM

✓ Non-applicable

V. ANALYSIS AND EXPLANATION OF THE COMPANY ON CAUSES AND EFFECTS OF CHANGES OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND IMPORTANT CORRECTIONS OF ACCOUNTING ERRORS

- (I) **Analysis and explanation of the Company on causes and effects of changes of accounting policies and accounting estimates**

✓ Not Applicable

- (II) **Analysis and explanation of the Company on causes and effects of important corrections of accounting errors**

✓ Not Applicable

- (III) **Communications with former accounting firm**

✓ Not Applicable

SECTION V SIGNIFICANT EVENTS

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: RMB 10,000

	Currently engaged
Name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
Remuneration of the domestic accounting firm	275
Term of the audit services provided by domestic accounting firm	6
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))
Remuneration of the foreign accounting firm	315
Term of the audit services provided by foreign accounting firm	5

	Name	Remuneration
Accounting firm engaged for internal control audit	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)	40

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 2016, 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 RMB 2.75 million. The Company appointed BDO China as its internal control auditor, with auditing fees of RMB 400,000. 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 2016 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 RMB 3.15 million. In addition, the two accounting firms provided audit service for subsidiaries of the Group, with total service fee of RMB 16.61 million. The total non-audit service fee was RMB 0.34 million, mainly for the internal audit service. 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.

Explanation of reappointment of accounting firms during the audit

During the past three years, the Company did not reappoint the accounting firms.

SECTION V SIGNIFICANT EVENTS

VII. FACING THE RISK OF SUSPENSION OF LISTING

The Company did not face the risk of suspension of listing during the Reporting Period.

VIII. FACING THE RISK OF DELISTING AND REASON

The Company did not face the risk of delisting during the Reporting Period.

IX. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

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

X. MATERIAL LITIGATION AND ARBITRATIONS

During the Reporting Period, the Company was not involved in any material litigation and arbitration that involves claims of over RMB 10 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.

XI. 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 directly held 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 or 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 25 November 2016, the CSRC issued the Administrative Penalty Decision ([2016] No. 127) to the Company, determining it is the fact that 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), and the Company failed to conduct software verification and confirmation with respect to the aforementioned external third party transaction software and failed to implement effective management, and lacked understanding on the identity of relevant clients. Therefore, it decided to impose an order for rectification on the Company and issue a warning. The gain from violations will be confiscated and a fine will be imposed.

SECTION V SIGNIFICANT EVENTS

In this regard, the Company had ceased the external system access in 2015, and submitted the Report on the Rectification of External Information System Access (《關於清理整頓外部接入信息系統的報告》) to the CSRC Shanghai Branch. As at 11 September 2015, the Company had canceled all HOMS customer white lists, closed the HOMS system, removed the front gateway and stopped the communication through dedicated lines, effectively completing the rectification of the HOMS system. In 2016, the Company continued to act on the requirements of the CSRC and the CSRC Shanghai Branch regarding the rectification of illegal securities business activities, kept track of the remaining problems and had no additional external system access.

XII. 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.

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

(I) Relevant incentive events have been disclosed in the ad hoc announcement and there is no further development or change in subsequent implementation

✓ Non-applicable

(II) Incentive events not disclosed in the ad hoc announcement or with subsequent progress or changes

- **Equity incentives**
✓ Non-applicable
- **Employee stock ownership**
✓ Non-applicable
- **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 RMB 28 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. The above asset management scheme was established on 19 February 2016 and terminated on 21 September 2016.

SECTION V SIGNIFICANT EVENTS

Haitong International Securities, a subsidiary of Haitong International Holdings, considered and passed the Resolution on Adoption of Share Option Scheme for Haitong International Securities Group Limited at the 2014 annual general meeting. 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. For the year ended 31 December 2016, a total of 18,000,000 share options were granted by Haitong International Securities under the 2015 share option scheme and accepted. 200,052 share options lapsed during the period due to the resignation of employees. (For further information, please refer to the 2016 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 approved the share option scheme, and 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.

XIV. MATERIAL RELATED PARTY TRANSACTION

During the Reporting Period, other than Note 65 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.

XV. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Trust, contracting and leasing matters

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

SECTION V SIGNIFICANT EVENTS

(II) 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			Guarantee type	Guarantee fulfilled or not	Guarantee overdue or not	Amount of guarantee over due	Whether counter-guarantee exists	Related parties or not	Related relationship			
			(execution date of agreement)	Commencing date of guarantee	Expiry date of guarantee										
Total amount of guarantees incurred in the Reporting Period (excluding the guarantees provided for subsidiaries)															0
Total balance of guarantees at the end of the Reporting Period (A) (excluding the guarantees provided for subsidiaries)															0
Guarantees provided by the Company and its subsidiaries for subsidiaries															
Total amount of guarantees provided for subsidiaries during the Reporting Period															11,677,443,882
Total guarantee balance provided for subsidiaries at the end of the Reporting Period (B)															30,042,027,872
Total amount of guarantees provided by the Company (including those for subsidiaries)															
Total amount of guarantees (A+B)															30,042,027,872
Percentage of total guarantee over the net assets of the Company (%)															27.3
Including:															
Amount of guarantees provided to shareholders, de facto controllers and their related parties (C)															0
Portion of amount of debt guarantees directly or indirectly provided for the parties guaranteed with the gearing ratio exceeding 70% (D)															19,279,354,000
Amount of total guarantee exceeding 50% of net assets (E)															0
Total amount of the above three types of guarantees (C+D+E)															19,279,354,000

SECTION V SIGNIFICANT EVENTS

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

Explanations on guarantees

1. On 29 August 2016, the Resolution on Providing Additional Guarantees for the Net Assets of HT Asset Management and Increasing Capital Contribution to HT Asset Management was considered and passed at the eighteenth meeting of the sixth session of the Board, in which, the Company was approved to provide additional guarantees of no more than RMB 4,000 million for the net assets of HT Asset Management. The Company provides guarantees up to RMB 4,000 million for the net assets of HT Asset Management and undertakes to provide cash within the above-mentioned amount unconditionally to HT Asset Management when it needs cash to carry out business. The guarantees for the net assets are effective from the date of approval by the Board. Recently, HT Asset Management has, in respect of these guarantees, received 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 [2016] No. 325) from China Securities Regulatory Commission Shanghai Branch.
2. On 9 February 2015, at the first extraordinary general meeting for 2015 and the first A Shareholders' class meetings for 2015 and the first H Shareholders' meeting for 2015, the Company considered and passed the Resolution on Increase in Quota of External Guarantee, in which, the Company was approved to provide joint and several guarantee for the offshore wholly-owned subsidiary(ies) of the Company for the issue of offshore debt financing instruments on a one-off or multiple issuances or multi-tranche issuances basis, through public or non-public offerings, and the aggregate size of the offshore corporate debt financing instruments should not exceed 50% of the net assets of the Company as at the end of the latest period.

On 5 June 2015, the Company held the sixth meeting (extraordinary meeting) of the sixth session of the Board through voting by correspondence. The meeting required 13 directors to present, and 13 directors attended, which was in compliance with the relevant provisions of the Company Law and the Articles of Association of the Company. After consideration and voting, the Board passed the Resolution on Provision of Joint and Several Guarantee for Issuance of Euro Bonds by Wholly-owned Offshore Subsidiary, with 13 "for", 0 "against" and 0 "abstain". Due to actual condition of such issuance, it has been completed in two tranches, and two Deeds of Guarantee were signed. The Company signed the first Deed of Guarantee on 18 May 2016, pursuant to which, the Company provided joint and several guarantee for the issue of EUR 100 million 1.6% bonds due 2021 by Haitong International Finance Holdings 2015 Limited (a wholly-owned offshore subsidiary of the Company). The Company will promptly announce the second Deed of Guarantee once it is signed.

SECTION V SIGNIFICANT EVENTS

3. The Company signed the second Deed of Guarantee on 26 May 2016, pursuant to which, the Company provided joint and several guarantee for the issue of EUR 120 million 1.6% bonds due 2021 by Haitong International Finance Holdings 2015 Limited (a wholly-owned offshore subsidiary of the Company).
4. On 30 March 2016, the Company held the fifteenth meeting of the sixth session of the Board. The meeting required 13 directors to present, and 11 directors attended, which was in compliance with the relevant provisions of the Company Law and the Articles of Association of the Company. After consideration and voting, the Board passed the Resolution on Providing Financing Guarantees for Subsidiaries, with 13 “for”, 0 “against” and 0 “abstain”. On 26 May 2016, the 2015 annual general meeting of the Company considered and passed the Resolution on Authorisation to the Board to Determine Provision of Guarantees for Subsidiaries of the Company, whereby the Company was approved to provide joint and several guarantees for its wholly-owned subsidiaries (including those with a gearing ratio of more than 70%) and controlling subsidiaries in respect of their issuance of onshore or offshore debt financing instruments (including but not limited to bonds, subordinated bonds, ultra short-term financing bills, short-term financing bills, medium-term notes, notes and establishment of note programmes) on a one-off or multiple issuance or multi-tranche issuance basis through public offerings or private placements, as well as domestic or overseas bank loans (including but not limited to bank credit, bank loans and syndicated loans), and the aggregate amount of the guarantees and the individual amount of any guarantee provided by the Company shall not exceed 50% and 10% of the Company’s audited net assets as at the end of the latest accounting period, respectively.

SECTION V SIGNIFICANT EVENTS

On 31 May 2016, the Company signed Guarantee Agreement and provided joint and several guarantee in respect of the syndicated loans of EUR 750 million for Haitong Investment Ireland Public Limited Company, its indirect wholly-owned offshore subsidiary (“this guarantee”). This new financing was made for the purpose of replacing the former Euro loan of EUR 750 million (“NB loan”) provided by Novo Banco, S.A. (“NB”) to Banco Espírito Santo de Investimento, S.A. (now renamed as Haitong Bank, S.A., “Haitong Bank”), the offshore subsidiary of the Company. The resolution determined that the principal amount of the guaranteed new financing shall not exceed EUR 800 million, with a guarantee term of up to 5 years, and will repeal the former guarantee provided by the Company for NB loan.

Meanwhile, Haitong Bank signed bilateral loan agreement with the guaranteed party and repaid the former NB loan with the proceeds in advance according to the agreement entered into with NB, thus the former guarantee obligation of the Company as to NB loan was discharged. Such discharged guarantee was under a guarantee agreement signed by the Company on 7 September 2015 for the purpose of acquiring Haitong Bank, the Company was the guarantor, Banco Espírito Santo de Investimento, S.A. (now renamed as Haitong Bank) was the guaranteed party and Novo Banco, S.A. was the creditor, guarantee amount is EUR 750 million (including principal and interest) and the guarantee period is 3 years.

The financing agreement related to this guarantee was signed on 31 May 2016, according to the guarantee provisions of the agreement, the Company is the guarantor, HIIP is the guaranteed party, the London Branch of China Construction Bank Corporation is the lead bank and Frankfurt Branch of China Construction Bank Corporation is the agent bank, guarantee amount is EUR 750 million (including principal, interest, initiation fee and other fees to be borne by the borrower) and the guarantee period is 5 years.

5. On 13 April 2015, the Company held the third meeting (extraordinary meeting) of the sixth session of the Board through voting by correspondence, considering and passing the Resolution on Provision of Joint and Several Guarantee for Issuance of U.S. Dollar Bonds by Wholly-owned Offshore Subsidiary. The Company provided joint and several guarantee for the issue of USD 670 million 3.5% bonds due 2020 by Haitong International Finance Holdings 2015 Limited, an offshore wholly-owned subsidiary of the Company.

SECTION V SIGNIFICANT EVENTS

6. In October 2013, the Company issued the first tranche of offshore bonds (USD 900 million) and the issuer is Haitong International Finance Holdings Limited, an indirect wholly-owned subsidiary of the Company. In order to enhance the repayment security of the first phase of offshore bonds and lower the coupon rate, according to the authorisation of the Company's first extraordinary general meeting in 2013, the authorised 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.
7. The Resolution on Providing Guarantee for the Net Assets of Shanghai Haitong Securities Asset Management Co., Ltd. was considered and passed at the twelfth meeting of the fifth session of the Board, whereby the Company was approved by the Board to provide, at any time, guarantees of no more than RMB 1,500 million 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 guarantee commitment of RMB 800 million to HT Asset Management. The Company has deducted net capital of RMB 800 million and correspondingly increased net capital of HT Asset Management by RMB 800 million.

Notes: During the Reporting Period, the external guarantees provided by the Company's subsidiary Haitong Bank (not including those guarantees for subsidiaries) amounted to EUR 32,857,813. Based on the median exchange rate for Inter-bank Foreign Exchange Market on 30 December 2016 of EUR 1 to RMB 7.3068, such amount is equivalent to RMB 240,085,468. As at the end of the Reporting Period, the total balance of external guarantees (not including those guarantees for subsidiaries) was EUR 220,021,435, equivalent to RMB 1,607,652,621 based on the median exchange rate for Inter-bank Foreign Exchange Market on 30 December 2016 of EUR 1 to RMB 7.3068.

SECTION V SIGNIFICANT EVENTS

During the Reporting Period, the guarantees provided by the Company's subsidiary Haitong Internal Securities for its operating subsidiaries or SPV due to borrowings, debt issue or business requirements amounted to HK\$23,469,000,000. Based on the median exchange rate for Inter-bank Foreign Exchange Market on 30 December 2016 of HK\$1 to RMB 0.89451, such amount is equivalent to RMB 20,993,255,190. As at the end of the Reporting Period, the total balance of internal guarantees was HK\$75,469,000,000, equivalent to RMB 67,507,775,190 based on the median exchange rate for Inter-bank Foreign Exchange Market on 30 December 2016 of HK\$1 to RMB 0.89451.

(III) 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 RMB 160 million at the proportion of 20% of the amount involved from September 2013 to September 2016.

XVI. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

1. Change of legal representative

The Board received the written resignation from Mr. Wang Kaiguo as the chairman of the Board on 29 July 2016. Mr. Wang Kaiguo has tendered his resignation from the office of director, chairman of the Board, legal representative of the Company and authorised representative (for the purpose of Rule 3.05 of the Hong Kong Listing Rules) of the Company, as well as the office of chairman of the development strategy and investment management committee of the Board due to career development reason. Upon the resignation of Mr. Wang Kaiguo, he will no longer hold any other position in the Company. Mr. Wang Kaiguo confirms to the Board that there is no disagreement between him and the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the shareholders.

Mr. Zhou Jie was elected as director of the sixth session of the Board at the first extraordinary general meeting for 2016 held on 23 September 2016, and was elected as chairman of the Board, the chairman of the development strategy and investment management committee of the Board, the legal representative and authorized representative (for the purpose of Rule 3.05 of the Hong Kong Listing Rules) of the Company at the nineteenth meeting of the sixth session of the Board held on 28 October 2016.

SECTION V SIGNIFICANT EVENTS

2. Change of business license of the Company

Pursuant to the Notice of the State Administration for Industry and Commerce, the State Commission Office for Public Sector Reform (China), the National Development and Reform Commission, the State Administration of Taxation, the General Administration of Quality Supervision, Inspection and Quarantine and the Legal Affairs Office of the State Council on Implementing the Opinions of the General Office of the State Council on Accelerating the “Combination of Three Licenses into One” Registration System Reform (Gong Shang Qi Zhu Zi [2015] No. 121), the Company has completed the combination of three licenses (being enterprise business license, organization code certificate and tax registration certificate) into one license, the unified social credit code of 9131000013220921X6 took effects from 16 August 2016, whereas the original business license registration number of 310000000016182 ceased to be effective.

3. Incorporation of subsidiaries

(1) *Incorporation of Gui'an UT Financial Leasing (Shanghai) Co., Ltd. (貴安恒信融資租賃(上海)有限公司)*

In August 2016, the eighteenth meeting of the sixth session of the Board considered and passed the Resolution on the Establishment of A Financial Leasing Company by Haitong UniTrust and Gui'an Financial Investment, which approved UT Capital Group (a wholly-owned overseas subsidiary of the Company, “UT Capital”) and Haitong UniTrust Leasing (海通恒信國際租賃有限公司) (a wholly-owned subsidiary of UT Capital to join venture to establish a financial leasing subsidiary-Gui'an UT Financial Leasing (Shanghai) Co., Ltd. (貴安恒信融資租賃(上海)有限公司) with Guizhou Gui'an Financial Investment Co., Ltd. (貴州貴安金融投資有限公司) (“Gui'an Financial Investment”), with a registered capital of RMB 1,500 million. Of which, UT Capital, Haitong UniTrust and Gui'an Financial Investment contributed 25%, 15% and 60%, respectively. Gui'an UT obtained business license on 29 November 2016. As at the end of the Reporting Period, other procedures about the establishment are still in progress.

(2) *Incorporation of Haitong Kunlun Equity Investment Management (Shanghai) Co., Ltd. (海通昆侖股權投資管理(上海)有限公司)*

Haitong M&A Capital Management (Shanghai) Limited (海通併購資本管理(上海)有限公司), a controlling subsidiary of the Company, and Kunlun Trust Co, Ltd. (昆侖信託有限責任公司) jointly established Haitong Kunlun Equity Investment Management (Shanghai) Co., Ltd. with a registered capital of RMB 20 million. Haitong M&A Capital Management (Shanghai) Limited has completed its capital contribution of RMB 11 million in May 2016.

SECTION V SIGNIFICANT EVENTS

4. HT Asset Management completing capital increase and obtaining guarantees from parent company for its net assets

In August 2016, according to the Resolution on Providing Additional Guarantees for the Net Assets of HT Asset Management and Increasing Capital Contribution to HT Asset Management considered and passed at the eighteenth meeting of the sixth session of the Board, the Company decided to increase capital contribution to HT Asset Management by RMB 1,000 million in cash, and provide additional guarantees of no more than RMB 4,000 million for the net assets of HT Asset Management. As at the end of the Reporting Period, HT Asset Management has completed the capital increase and obtained new business license, with the registered capital increasing from RMB 1,200 million to RMB 2,200 million.

5. Capital increase of other subsidiaries

(1) Completion of capital increase of Fortune HFT

According to the Resolution at the nineteenth meeting of the sixth session of the Board, HFT Investment (a controlled subsidiary of the Company) increased capital contribution to its wholly-owned subsidiary Shanghai Fortune HFT Asset Management Co., Ltd. (上海富誠海富通資產管理有限公司) by RMB 80 million in November 2016, with the registered capital of Shanghai Fortune HFT Asset Management Co., Ltd. increasing to RMB 100 million.

(2) Completion of capital increase of Haitong Capital and Haitong UniTrust

The Resolution on Capital Increase of Haitong UniTrust was considered and passed at the nineteenth meeting of the sixth session of the Board, whereby the Company was approved to increase capital contribution to its wholly-owned subsidiary Haitong Capital by RMB 3,000 million in cash. As at the end of December, Haitong Capital completed the capital increase, with the registered capital increasing to RMB 10,650 million.

According to the same Resolution, Haitong Capital increased capital contribution to Haitong UniTrust Leasing, a wholly-owned domestic subsidiary of Haitong UT (the Company's wholly-owned subsidiary) by RMB 3,000 million. In December 2016, Haitong Capital completed the capital increase of RMB 3,000 million to Haitong UniTrust, upon which, the registered capital of Haitong UniTrust increased from USD 523 million to USD 803 million, of which, Haitong Capital holds 34.9% interests in Haitong UniTrust.

(3) Completion of capital increase of Haitong Xinchuang

The Resolution on Capital Increase of Haitong Xinchuang. by Haitong Capital was considered and passed at the nineteenth meeting of the sixth session of the Board, whereby Haitong Capital, a wholly-owned subsidiary of the Company, was approved to increase capital contribution to its asset management subsidiary Haitong Xinchuang by increasing the registered capital of Haitong Xinchuang from RMB 50 million to RMB 100 million. Haitong Capital's interests in Haitong Xinchuang remain the same, i.e. 60%, after the capital increase. In January 2017, Haitong Xinchuang obtained new business license from Shanghai Municipal Administration for Industry and Commerce.

SECTION V SIGNIFICANT EVENTS

6. Subsidiaries' bonds issuance

(1) *Completion of issuance of convertible bonds by Haitong International Securities*

On 25 October 2016, Haitong International Securities, a controlled subsidiary of Haitong International Holdings (海通國際控股有限公司) (a wholly-owned overseas subsidiary of the Company) completed the issuance of HK\$3,880,000,000 zero coupon convertible bonds due 2021. Assuming full conversion of the convertible bonds at the initial conversion price of HK\$6.8112 per share, the convertible bonds will be convertible into approximately 569,649,988 shares.

(2) *Completion of issuance of EUR 220 million Five-year Offshore Bonds by Haitong International Holdings*

Through Haitong International Finance Holdings 2015 Limited (a wholly-owned subsidiary of Haitong International Holdings), Haitong International Holdings successfully completed the issuance of EUR 220 million five-year offshore bonds on 18 May 2016 and 26 May 2016, respectively. The bond issue was guaranteed by Haitong Securities.

(3) *Completion of issuance of two tranches of USD private bonds by Haitong UT*

Through its special purpose entity Unican Limited, Haitong, a wholly-owned subsidiary of Haitong International Holdings, completed the issuance of two tranches of USD private bonds in September 2016, being the fourth drawdown under its medium term note programme set in 2014, with an issue size of USD 64 million.

Haitong UT issued four tranches of mid-term notes in 2016 with total amount of RMB 2,800 million, among which, the second tranches mid-term notes successfully issued in March 2016 was perpetual mid-term notes, with an issue size of RMB 1,200 million and a term of 5+N years.

XVII. ENVIRONMENTAL POLICIES AND PERFORMANCE AND ACTIVELY FULFILLING SOCIAL RESPONSIBILITY

(I) **Poverty alleviation efforts of listed company**

The year of 2016 is not only the first year of China's Thirteenth Five-year Plan, but also the year for planning the strategy of comprehensively strengthening the results of poverty alleviation. Upholding the principle of the Circular of the State Council on Printing and Issuing a Poverty Alleviation Plan for the Thirteenth Five-year Plan, the Company has conscientiously implemented the requirements of the Opinions of the China Securities Regulatory Commission on Serving the State's Strategy of Poverty Alleviation by the Functioning of Capital Market, actively responded to the call of the State, fully performed our social responsibilities and comprehensively carried out the work of poverty alleviation through development at different levels, striving to improve the effects of poverty alleviation by ways of poverty relief through "one company to one county" pair-up, comprehensive poverty relief through "urban areas to villages" pair-up, capital market industries supporting and poverty alleviation through social charity.

SECTION V SIGNIFICANT EVENTS

1. *Plans for targeted poverty alleviation*

Since the State Council, the CSRC and the Securities Association of China promulgated the circular on the work of targeted poverty alleviation of securities companies, the Company has recognized the significance of the State's work for poverty alleviation through development, thus actively responded to the initiatives on helping state-level underprivileged counties and developed the overall plan for poverty alleviation. The Company believes it shall, as a large integrated securities firm, fully play its pioneering role in the national strategy for poverty alleviation, make full use of its resources and professional advantages in the capital market, strive to develop financial and industrial projects for poverty alleviation and facilitate the economic transition and industrial upgrade in the underprivileged areas. In order to improve the leadership, the Company has set up a leading panel for poverty relief, functional organizations, and incorporated professional departments to implement the poverty relief works and to ensure such efforts are put in place and achieve results.

The work for poverty alleviation focuses on three aspects according to the Company's plan for poverty alleviation. Firstly, the Company builds all-round cooperative relationship with the local governments of state-level underprivileged counties by entering into framework agreements for poverty relief through "one company to one county" pair-up, adopts market measures to develop self-reliance projects with a view to helping the local governments to establish a long-lasting and stable income mechanism, promotes the sustainable development and stable growth of regional economies, and helps the underprivileged to relieve from poverty, striving to assist the local governments in completing local economy transformation within three years, thus achieving the goal of poverty alleviation. Secondly, during the process of facilitating urban and rural integration in Shanghai, the Company continues to carry out a new round of comprehensive rural poverty relief that lasts for five years, actualizes the plan for building beautiful villages and ecology in Chongming, and progressively promotes the planning for new rural construction in Chongming District, Shanghai. Thirdly, the Company offers help to rural Party organizations in pair-up underprivileged villages in the rural area of Shanghai. It helps to develop local economies and improves rural environment to achieve the goal of improving the lives of the underprivileged by means of relocating real economy, establishing a mechanism for long-term attentions and visits, carrying out branded cultural activities and sending professionals to offer financial services in rural areas, etc.

SECTION V SIGNIFICANT EVENTS

2. Summary of targeted poverty alleviation for the year

1) *Implementing targeted poverty alleviation strategy and actively carrying out the activities of poverty relief through “one company to one county” pair-up*

Responding to the initiatives on carrying out the work of targeted poverty alleviation by the Securities Association of China, the Company conscientiously carried out the activities of poverty relief through “one company to one county” pair-up. As at the end of 2016, the Company has successively entered into framework agreements for poverty relief through “one company to one county” pair-up with Lixin County of Bozhou City, Anhui Province, Ningdu County of Ganzhou City, Jiangxi Province, and Shucheng County of Lu’an City, Anhui Province to establish a long-term mechanism for poverty relief with the local governments and build all-round cooperative relationships. The Company deepened cooperation with the local governments on technical support, poverty alleviation funds, poverty alleviation by consumption, talent exchange, platform establishment, co-construction of organization, and institutional construction to build a long-term mechanism for poverty relief.

In addition to providing dedicated poverty alleviation funds of RMB 1 million to each pair-up local government every year, when carrying out the work of poverty relief with local governments, the Company leveraged on its advantage in professional financial services to integrate market-oriented development projects with targeted poverty alleviation, with an aim to provide enterprises and institutions within the regions with such all-round professional services in capital market as financial planning, bond issuance, listing, stock issuance, M&A and reorganization. It made full use of the agglomeration and radiation effects of capital to meet the needs for economic transition within the regions and seek the patterns for sustainable growth of local economies. At present, the Company is supporting the Urban-Rural Construction and Investment Co., Ltd. of Lixin County, Anhui Province in issuing municipal and corporate bonds with the asset integration plan in place; has helped Lixin Rural Commercial Bank to develop an IPO plan; initiated banking-securities industry cooperative services for Lixin Rural Commercial Bank to promote the subscription of fixed-income products; studied and put in place the PPP fund scheme; assisted the government of Lixin County in enacting the Interim Measures on Listing Incentives of Lixin County, Anhui Province, and introduced two enterprises based in Hefei to Lixin. In Ningdu County, Jiangxi Province, the Company has assisted the county-level investment and financing platform to issue municipal bonds, helped local companies with NEEQ listing or IPO and offered private placement or main board listing services to NEEQ-listed companies. The Company is also proactively carrying out its business of poverty alleviation by consumption. As a result, Lixin County companies Runsheng Cattle and Anbo Food (安亳食品), Shucheng County company Lanhua Tea (蘭花茶業) and Ningdu County company Tianhe Incense (天和香業) have successfully registered on the China OTCTOP quotation system, with their products sold on otctop.com consumer platform. In addition, the Company attached great importance to communication with cadres in the underprivileged areas. A number of managers and business elites of the Company serve as economic advisors and temporary deputy mayors in underprivileged counties (cities) to make contribution to the development of local society and economies.

SECTION V SIGNIFICANT EVENTS

2) *Focusing on the construction of key self-reliance projects in Chongming and solidly pushing forward the activities for building beautiful villages*

The year 2016 is the fourth year since the Company and Chongming District government entered into a framework agreement for poverty relief. The Company continued to provide poverty alleviation funds of RMB 5 million to Chongming, focused on the key self-reliance projects and made investments in projects in line with the construction planning for Chongming Ecologic Island. It assisted Chongming government in developing a modern agricultural demonstration area, pushed forward the plan for building beautiful villages, promoted the transformation of local industrial zones, and drove rural surplus labor force to make diversified vocational choices through the utilization of good local ecological environment and stock land resources. By accelerating the development of tourism functional projects, the Company constructed Shanghai modernized demonstration areas with respect to the Three Rural Issues and enhanced the level of modern service. The Party committee of the Company also made constructive exploration regarding regional Party construction with the Party committee of Jianshe Town, Chongming, paired up with Fu'an Village of Jianshe Town to strengthen rural Party organization, and intensified the integration of Party construction resources at urban and rural grassroots, aiming to develop a new pattern of Party construction at grassroots with urban-rural integration, resource sharing and open interaction. The Company has accelerated the development of urban-rural integration in Shanghai, facilitated the transformation of rural economies and promoted the stable and comprehensive development of regional economies through comprehensive poverty relief and urban-rural Party organizations pair-up.

3) *Developing multi-financing functions through capital market and promoting the growth of local economies with financial poverty alleviation*

While responding to the call of the State to fulfill its social responsibilities for poverty alleviation, the Company actively explored the functions and mechanism of financial inclusion in the capital market, and leveraged on the advantages of securities and futures sectors to carry out targeted poverty alleviation in areas of investment banking, bond financing, futures operation, capital investment and wealth management. It supported the underprivileged areas to broaden financing channels, improve financing efficiency and lower financing costs by emphasizing financial and industrial poverty alleviation and with business policies tending to the economic support for underprivileged areas so as to bring in a multi-channel and multi-level situation for poverty alleviation.

The Company poured more internal resources in the projects in underprivileged areas and the western region of China. In 2016, the IPO of Leon Technology Co., Ltd was approved, and the IPO of Ningxia Jiaze New Energy Co., Ltd is in the process of approval, which provides capital market resources for the development of western region economies. The Company has issued RMB 400 million non-public corporate bonds for Deqing County Water Resources and Hydropower Engineering Co., Ltd. (德慶縣水利水電工程有限公司) in Deqing County, Guangdong Province,

SECTION V SIGNIFICANT EVENTS

and completed two rounds of financing issuance for Mashangyou Technology Co., Ltd, a company located at underprivileged area, as well as the NEEQ-listing of Guizhou Sange Garden and Ecology Co., Ltd. (貴州三閣園林生態股份有限公司). The PE subsidiary of the Company has invested in three projects of key companies in underprivileged counties, namely Hongyuan Pharmaceutical in Hubei Province, Lead Leather in Hunan Province and Xi'an Manareco New Materials Co., Ltd.. Aiming to supporting agriculture, Haitong Futures Co., Ltd, a subsidiary of the Company, has launched the Projects of Haitong Futures for Industrial Poverty Alleviation and cooperated with Qiongzong Li and Miao Autonomous County in Hainan Province, Ju County of Shangqiu City, Henan Province, and Mingshui County of Suihua City, Heilongjiang Province to carry out hedging business. Through specialized training and professional services such as futures insurance and over-the-counter options, the Company introduced financial knowledge to people in underprivileged areas, and provided farmers with stable income and finally helped them shake off poverty by avoiding market risks with measures such as hedging transactions and introducing an agricultural product insurance scheme. Haitong UniTrust International Leasing Corporation, a subsidiary of the Company, has taken an active part in supporting more than 100 underprivileged areas to carry out financial leasing business, with investments in healthcare, education, industry, agriculture, construction, printing, forestry, energy and environmental protection and other sectors, achieving the deployment of financing amount of more than RMB 2,000 million. The Company has provided the enterprises and institutions in underprivileged areas with equipment and capital supports required in every field through direct leasing, leaseback, factoring, entrusted loans and other financing. Moreover, by supporting equity pledge, entering into strategic cooperation memorandum, providing financial lectures, and offering financial consultancy service, branches and subsidiaries of the Company have actively supported the capital operation of underprivileged areas so as to help those areas broaden financing channels and develop local economies.

4) *Striving to carry out poverty alleviation and social charity and actively fulfilling corporate social responsibilities*

While creating economic benefits, the Company also proactively contributes to the society, participates in social charity enthusiastically and endeavors to create its social value. It commits to fulfilling corporate social responsibilities through donations to education, poverty alleviation and other public welfare activities, thus creating a favorable environment for poverty relief within the Company. In 2016, the Youth League Committee of the Company organized the walk-a-thon named "In Haitong We Love, For Love We Walk" in urban area, which was a targeted public welfare activity to help the children of underprivileged families in Chishui City, Guizhou Province to improve their learning and education conditions. Since 2011, Gansu Wuwei Jianguo Street Securities Business Department has carried out activities for donations to education in Gulang County and Tianzhu County, the state-level underprivileged counties, for six consecutive years. The general Party branch of Shaanxi branch of the Company studied and discussed with the Party branch of Tangsan Village, Lantian County to help villagers build an information

SECTION V SIGNIFICANT EVENTS

platform. Sichuan branch held training lectures of financial literacy in the community to keep the underprivileged people away from financial frauds and establish a correct sense of investment. Harbin Yiman Street Securities Business Department promoted the activities of facilitating students who join the college-entrance examination for two consecutive years during the period of the examination. Fullgoal Fund steps up voluntary work through Fullgoal Environmental Protection Foundation and the poverty alleviation point at Huaxi Village, Chongming. There is a general consensus among Haitong staff about public welfare activities. They vigorously devote themselves into social welfare and carry forward the spirit of charity, fostering a new Haitong culture.

3. Statistics of targeted poverty alleviation efforts by the listed company in 2016

Unit: RMB 10'000

Indicators	Quantity and status
Summary	
Including: 1. capital input	1,038.3
2. in-kind input	7.98
3. number of reduction in registered underprivileged population through help and support	949
4. Poverty alleviation through education	
Including: 4.1 amount of subsidies granted to underprivileged students	7.81
4.2 number of subsidized students	154
4.3 amount contributed to improve educational resources in underprivileged areas	5.8
5. Poverty alleviation through health improvement	
Including: 5.1 amount contributed to medical and health resources in underprivileged areas	7.5
6. Poverty alleviation through ecological conservation	
Including: 6.1 project names	<input checked="" type="checkbox"/> development of ecological conservation and construction <input type="checkbox"/> establishment of compensation mechanism for ecological conservation <input type="checkbox"/> creation of public welfare jobs for ecological conservation <input type="checkbox"/> others
6.2 contributed amount	500

SECTION V SIGNIFICANT EVENTS

<u>Indicators</u>	<i>Unit: RMB 10'000</i> <u>Quantity and status</u>
7. Subsistence allowances to the most underprivileged people	
Including: 7.1 amount contributed to help “left-behind” children, women and the elderly	0.7
7.2 amount contributed to help underprivileged disabled persons	0.13
7.3 number of underprivileged disabled persons who received help	15
8. Poverty alleviation through social participation	
Including: 8.1 amount contributed to cooperation between eastern regions and western regions for poverty alleviation	0
8.2 amount contributed to targeted poverty alleviation	8.73
8.3 poverty relief fund	509.1
9. Other projects	
Including: 9.1 number of projects	1
9.2 contributed amount	6.51
9.3 number of reduction in registered underprivileged population through help and support	59
9.4 notes to other projects	N/A

SECTION V SIGNIFICANT EVENTS

4. *Further plans for targeted poverty alleviation*

In 2017, the Company will take targeted poverty alleviation as its unshirkable social responsibility, and, with an aim to provide services in respect of the transition and development of underprivileged areas and pull the underprivileged out of poverty, leverage on its own advantages to make achievements in terms of poverty alleviation through “one company to one county” pair-up, the new round of comprehensive poverty relief in rural areas of Shanghai, capital market industries supporting and poverty alleviation through social charity, specifically the followings.

- I. Actively implementing poverty alleviation through “one company to one county” pair-up. As the Company has entered into pair-up agreements with three state-level underprivileged counties, it will exploit its financial strength to further cooperate with local county governments in various aspects such as poverty alleviation through financial and industrial development and consumption, talent cultivation and usage of poverty alleviation funds. The Company will also help the governments to enact incentive policies for attracting businesses and investments, discuss the listing and corporate bond issuance of local enterprises, cooperate with local governments for setting up PPP funds, and solicit targeted non-local enterprises to settle. While introducing local branded products to octop.com consumer platform, the Company will encourage start-up and financing of local small and micro businesses and provide proactive assistance to underprivileged college students in terms of education and employment. These efforts will deepen the poverty alleviation work through pair-up support.
- II. Pushing forward the activities for building beautiful villages in Chongming Island, Shanghai. Besides the support and investment for the last four years, the Company will continue to provide poverty alleviation funds of RMB 5 million to Chongming so as to fully implement poverty alleviation plans, construct a state-level modern agriculture demonstration park, establish and improve market circulation system of agricultural products, as well as accelerate the development of tourism functional projects, bringing new bright spots in the construction of new countryside in Chongming.
- III. Intensifying poverty alleviation through financial and industrial development. In respect of the securities and futures poverty alleviation projects developed in 2016, the Company will follow up their progress and effects, and keep improving the implementation measures of existing projects in order to enhance the effectiveness of poverty relief. While engaging in the businesses such as investment banking, M&A financing, bond financing and NEEQ financing, the Company will make its project policies tilted to underprivileged areas, constantly exploring multi-level channels of financing there and enhancing their capacity of self-development.

SECTION V SIGNIFICANT EVENTS

- IV. Giving substantial support to public welfare undertakings. The Company will carry forward its fine tradition of making earnest efforts in aspects of public welfare and charity to involve in various activities in different ways to pay back the community. For instance, the Company will donate to local charitable funds, regularly visit and help pair-up communities, keep on donating to underprivileged school children, introduce financial literacy to the countryside and launch fund-raising activities for charity. With these efforts, the Company will make contribution to the society, and take care of and provide support to vulnerable groups in need.

(II) Environmental Policies and Performance and Performance of social responsibility

For environmental policy and performance, the Company cares about environmental and ecological development, promotes low carbon environmental protection, advocates green business and green office ideas. During the Reporting Period, 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. The Company has complied with the “comply or explain” provisions as set out in the Environmental, Social and Governance Reporting Guide during the Reporting Period. For details relating to the Company’s environment policies and performance, its compliance with such laws and regulations which may materially affect the Company, the important relationship between the Company and its employees, customers and suppliers, and the performance of social responsibility, please refer to the Corporate Social Responsibility Report as published on the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>), Shanghai Stock Exchange (<http://www.sse.com.cn>), and the Company’s own website (<http://www.htsec.com>) on 29 March 2017.

(III) Explanation on the environmental protection of the Company and its subsidiaries which are classified as key pollutant discharging unit as specified by environmental protection authority

✓ Non-applicable

(IV) Other explanation

(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 resigned non-executive Director of the Company, had been a non-executive director of Orient Securities Company Limited from March 2011 to July 2016. Mr. Xu Jianguo, a non-executive Director of the Company, has been a non-executive director of Orient Securities Company Limited since November 2016. Ms. Zhang Xinmei, a non-executive Director of the Company, had been a director of Shenyin & Wanguo Securities Co., Ltd. (currently known as Shenwan Hongyuan Group Co., Ltd.) from 2012 to September 2016. 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, 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*

Haitong International Securities, a subsidiary of Haitong International Holdings, considered and passed the Resolution on Adoption of Share Option Scheme for Haitong International Securities Group Limited at the 2014 annual general meeting. 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. For the year ended 31 December 2016, a total of 18,000,000 share options were granted by Haitong International Securities under the 2015 share option scheme and accepted. 200,052 share options lapsed during the period due to the resignation of employees. (For further information, please refer to the 2016 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 2016, total revenue of top five customers amounted to RMB 889.56 million, representing 2.10% of the Group's total revenue and other income. Of which, the revenue attributable to the related parties of largest five clients were RMB 172.34 million, representing 0.41% of the Group's total revenue and other income for the year.

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.

SECTION V SIGNIFICANT EVENTS

XVIII. CONVERTIBLE CORPORATE BONDS

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

XIX. 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).

XX. 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.

XXI. 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.

XXII. 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*

There were no changes in total ordinary shares or share capital structure of the Company during the Reporting Period.

2. *Particulars about changes in ordinary shares*

During the Reporting Period, there is no change in shares of the Company. As at the end of the Reporting Period, there were 8,092,131,180 A Shares and 3,409,568,820 H Shares.

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, there is no change in ordinary shares of the Company.

4. *Other disclosure deemed necessary by the Company or required by securities regulatory authorities*

During the Reporting Period, there is no change in ordinary shares of the Company.

(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

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
Corporate bonds	25 November 2013	6.15%	RMB 2.35 billion	16 December 2013	RMB 2.35 billion	22 November 2018
Corporate bonds	25 November 2013	6.18%	RMB 2.39 billion	16 December 2013	RMB 2.39 billion	23 November 2023
Corporate bonds	14 July 2014	5.25%	RMB 5.65 billion	13 August 2014	RMB 5.65 billion	12 July 2017
Corporate bonds	14 July 2014	5.45%	RMB 4.55 billion	13 August 2014	RMB 4.55 billion	11 July 2019
Corporate bonds	14 July 2014	5.85%	RMB 0.8 billion	13 August 2014	RMB 0.8 billion	11 July 2024
Subordinated bonds	8 April 2015	5.50%	RMB 15.0 billion	11 May 2015	RMB 15.0 billion	4 April 2018 6 April 2020*
Subordinated bonds	12 June 2015	5.30%	RMB 15.0 billion	26 August 2015	RMB 15.0 billion	9 June 2017 8 June 2018*
Subordinated bonds	12 June 2015	5.38%	RMB 5.0 billion	26 August 2015	RMB 5.0 billion	8 June 2018 10 June 2020*
Non-public corporate bonds	18 May 2016	3.60%	RMB 15.0 billion	15 June 2016	RMB 15.0 billion	15 May 2019 14 May 2020*
Non-public corporate bonds	18 May 2016	3.80%	RMB 5.0 billion	15 June 2016	RMB 5.0 billion	13 May 2021
Subordinated bonds	17 November 2016	3.30%	RMB 4.0 billion	30 November 2016	RMB 4.0 billion	14 November 2019
Subordinated bonds	17 November 2016	3.40%	RMB 2.0 billion	30 November 2016	RMB 2.0 billion	15 November 2021

* In the event the issuer determines to exercise its option of redemption, the date of termination of trading will extend to the corresponding date.

The Proposal Regarding the Issuance of Corporate Bonds and Proposal Regarding the General Mandate to Issue Corporate Bonds were considered and passed at the sixteenth meeting of the fifth session of the Board on 26 March 2013 and the 2012 annual general meeting of the Company held on 27 May 2013, respectively, pursuant to which the chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of corporate bonds at their sole discretion. Upon approval by CSRC with the Zheng Jian Xu Ke [2013] No.1220 document on 25 September 2013, the Company was permitted to issue corporate bonds with a total par value of no more than RMB 23.0 billion to the public. The corporate bonds were issued in tranches, and the issue timing, size and other terms of each tranche were determined by the Company based on factors such as market conditions. The issue of the first tranche with a size of RMB 12.0 billion was completed on 27 November 2013, of which the issue size of the corporate bonds with a term of 3 years, 5 years and 10 years were RMB 7.26 billion, RMB 2.35 billion and RMB 2.39 billion, respectively. The issue of the second tranche with a size of RMB 11.0 billion was completed on 16 July 2014, of which the issue size of the corporate bonds with a term of 3 years, 5 years and 10 years were RMB 5.65 billion, RMB 4.55 billion and RMB 0.8 billion, respectively. Among which, the payment of principal and interests of 13 Haitong 01, corporate bonds with a term of 3 years issued in the first tranche, were due on 25 November 2016 and it was delisted, please refer to the announcement (No. Lin 2016-049) published on the website of the Shanghai Stock Exchange for details.

SECTION VI CHANGES IN ORDINARY SHARE AND PARTICULARS ABOUT SHAREHOLDERS

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 (extraordinary meeting) of the fifth session of the Board, which was subsequently considered and approved at the first extraordinary general meeting of 2015 and the 2015 first A shareholders'/H shareholders' class meetings of the Company held on 9 February 2015, respectively, pursuant to which the Company was approved to issue other onshore 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 of not exceeding 200% of net assets of the Company as at the end of the preceding period, 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. As of the end of the Reporting Period, the Company has issued two tranches of subordinated bonds with an aggregate size of RMB 35.0 billion. The first tranche with an issue size of RMB 15.0 billion 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 issuance of the second tranche of RMB 20.0 billion was completed on 12 June 2015. It consisted of RMB 15.0 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 RMB 5.0 billion of second type bonds with a maturity of five years and issuer's right of redemption at the end of the third year.

In accordance with the Corporate Bond Issuance and Trading Administrative Measures (CSRC Order No.113) and No Objection Letter to Haitong Securities Co., Ltd. on the Listing and Transfer of Non-public Issuance of Corporate Bonds issued by SSE (Shang Zheng Han [2016] No.886), the Company issued non-public corporate bonds with a size of RMB 20.0 billion in May 2016. It consisted of RMB 15.0 billion of first type bonds with a maturity of four years and issuer's right of redemption at the end of the third year; and RMB 5.0 billion of second type bonds with a maturity of five years.

Proposal in relation to the General Mandate to Issue Domestic Debt Financing Instruments was reviewed and passed at the fifteenth meeting of the sixth session of the Board on 30 March 2016 and at the 2015 annual general meeting of the Company on 26 May 2016, respectively. It was resolved that the Company may issue debt financing instruments on a one-off or multiple issuances or multi-tranche issuances domestically through public or non-public offerings, including but not limited to short-term financing bills of securities companies, corporate bonds, short-term corporate bonds, asset backed securities (notes), income receipts, subordinated bonds, subordinated debts, and other domestic debt financing instruments which may be issued by the Company as approved by or filed with CSRC, the Securities Association of China and other relevant authorities in accordance with the relevant requirements (excluding the inter-bank lending and the repurchase transactions for daily liquidity operations), with the total amount not exceeding 200% of the net asset value of the Company as at the end of the preceding period. The chairman and general manager of the Company were delegated by the Board under the authorization of the general meeting to be the authorized persons for issuing onshore debt financing instruments, and they were authorized to jointly or individually deal with all matters regarding the issuance of onshore debt financing instruments on behalf of the Company according to the resolutions passed at the general meeting and the authorization granted by the

SECTION VI CHANGES IN ORDINARY SHARE AND PARTICULARS ABOUT SHAREHOLDERS

Board. With the approval of “Shang Zheng Han [2016] No.2080” issued by the Shanghai Stock Exchange on 4 November 2016, the Company was approved to issue non-public subordinated bonds with an aggregate nominal amount not more than RMB 30.0 billion within PRC. The Company issued subordinated bonds totaling RMB 6.0 billion in November 2016. It consisted of RMB 4.0 billion of first type bonds with a maturity of three years and RMB 2.0 billion of second type bonds with a maturity of five years.

(II) Changes in total ordinary shares of the Company and shareholding structure and assets and liabilities structure of the Company

During the Reporting Period, the number of total ordinary shares of the Company and its shareholding structure have not changed. Details of changes in assets and liabilities of the Company are set out in analysis on principal components of consolidated statement of financial position of II. (I).4 of 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.

(IV) 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.

III. SHAREHOLDERS AND THE DE FACTO CONTROLLERS

(I) Total number of shareholders

Total number of ordinary shareholders (accounts) as at the end of the Reporting Period	249,535 (of which 249,083 were holders of A Shares and 452 were holders of H Shares)
Total number of ordinary shareholders (accounts) as at the end of the previous month prior to the date of disclosure of the annual report	249,993 (of which 249,544 were holders of A Shares and 449 were holders of H Shares)

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")	-766,420	3,408,386,763	29.63%	0	Nil	0	Foreign legal person
Bright Food (Group) Co., Ltd.	0	402,150,000	3.50%	0	Nil	0	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	-4,221,300	358,031,871	3.11%	0	Nil	0	Others
Shenergy Group Company Limited	0	322,162,086	2.80%	0	Nil	0	State-owned legal person
Shanghai Electric (Group) Corporation	-15,446,479	319,086,793	2.77%	0	Nil	0	State
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
Qilu Securities Asset Management – ICBC – Qilu Bichen No. 10 Collective Asset Management Scheme	193,402,041	193,402,041	1.68%	0	Nil	0	Others
Shanghai Lansheng Corporation	5,108,426	156,842,126	1.36%	0	Nil	0	State-owned legal person

SECTION VI CHANGES IN ORDINARY SHARE AND PARTICULARS ABOUT SHAREHOLDERS

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of circulating shares held not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	3,408,386,763	Foreign shares listed overseas	3,408,386,763
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	358,031,871	RMB denominated ordinary shares	358,031,871
Shenergy Group Company Limited	322,162,086	RMB denominated ordinary shares	322,162,086
Shanghai Electric (Group) Corporation	319,086,793	RMB denominated ordinary shares	319,086,793
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
Qilu Securities Asset Management – ICBC – Qilu Bichen No. 10 Collective Asset Management Scheme	193,402,041	RMB denominated ordinary shares	193,402,041
Shanghai Lansheng Corporation	156,842,126	RMB denominated ordinary shares	156,842,126

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.

SECTION VI CHANGES IN ORDINARY SHARE AND PARTICULARS ABOUT SHAREHOLDERS

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

As at 31 December 2016, 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	3.49	4.96	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	283,894,000	2.46	8.32	Long position
4.	BSA Strategic Fund I	H Share	Beneficial owners	283,844,000	2.46	8.32	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	2.15	7.27	Long position
8.	Shi Yuzhu	H Share	Interests in controlled corporation (Note 2)	268,000,000	2.33	7.86	Long position
9.	Vogel Holding Group Limited	H Share	Beneficial owners (Note 2)	248,000,000	2.15	7.27	Long position
10.	BlackRock, Inc.	H Share	Interests in controlled corporation	182,844,978	1.58	5.36	Long position
		H Share	Interests in controlled corporation	1,036,000	0.00	0.03	Short position

Note 1: According to the information disclosed on the website of the Hong Kong Stock Exchange (www.hkexnews.hk), an aggregate of 482,686,582 A Shares are held by Bright Food (Group) Co., Ltd., and an aggregate of 416,420,568 A Shares are held by Shanghai Haiyan Investment Management Company Limited. Under Section 336 of the SFO, forms disclosing of interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of shareholders' shareholdings in the Company are not required to inform the Company and 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: 248,000,000 H Shares of the Company are held by Vogel Holding Group Limited, which is wholly owned by Shi Jing and taken de facto control by Shi Yuzhu. Therefore, Both Shi Jing and Shi Yuzhu are deemed to have interests in 248,000,000 H Shares held by Vogel Holding Group Limited. Shi Yuzhu holds 20,000,000 H shares in the Company through Union Sky Holding Group Limited, its wholly-owned company, and he holds 268,000,000 H Shares of the Company in aggregate.

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.

SECTION VI CHANGES IN ORDINARY SHARE AND PARTICULARS ABOUT SHAREHOLDERS

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 2016, 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 2016, 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:

No.	Name of directors	Type of share	Nature of interests	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
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.

SECTION VI CHANGES IN ORDINARY SHARE AND PARTICULARS ABOUT SHAREHOLDERS

(IV) Strategic investors or general legal person having become one of the top ten shareholders as a result of placing of new shares

During the Report Period, no strategic investor or general legal person has become one of the top ten shareholders as a result of placing of new shares.

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. OTHER INSTITUTIONAL SHAREHOLDERS HOLDING MORE THAN 10% OF THE SHARES

During the Report Period, no other institutional shareholder of the Company held more than 10% of the shares.

VI. EXPLANATION OF RESTRICTION OF SHAREHOLDING REDUCTION

During the Report Period, the Company had no restriction of shareholding reduction.

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 thousand 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
Zhou Jie	Chairman, executive Director, secretary of CPC Party Committee	Male	49	28 October 2016	30 December 2017	0	0	0		20.39	No
Qu Qiuping	Executive Director, General Manager, deputy secretary of CPC Party Committee	Male	55	30 December 2014	30 December 2017	0	0	0		76.92	No
Yu Liping	Non-executive Director	Female	54	8 June 2015	30 December 2017	0	0	0		0	Yes
Chen Bin	Non-executive Director	Male	35	30 December 2014	30 December 2017	0	0	0		0	No
Xu Jianguo	Non-executive Director	Male	52	18 October 2016	30 December 2017	0	0	0		0	No
Wang Hongxiang	Non-executive Director	Male	60	30 December 2014	30 December 2017	0	0	0		7.5	No
Zhang Xinmei	Non-executive Director	Female	57	30 December 2014	30 December 2017	0	0	0		0	Yes
Shen Tiedong	Non-executive Director	Male	47	8 June 2015	30 December 2017	0	0	0		0	Yes
Liu Chee Ming	Independent Non-executive Director	Male	65	30 December 2014	30 December 2017	100	100	0		21	Yes
Xiao Suining	Independent non-executive Director	Male	68	30 December 2014	30 December 2017	0	0	0		21	Yes
Feng Lun	Independent non-executive Director	Male	57	30 December 2014	30 December 2017	0	0	0		16	Yes
Li Guangrong	Independent non-executive Director	Male	53	30 December 2014	30 December 2017	0	0	0		19	Yes
Zhang Ming	Independent non-executive Director	Male	58	12 June 2016	30 December 2017	0	0	0		1.67	Yes
Wang Kaiguo (resigned)	Chairman, executive Director, secretary of CPC Party Committee	Male	58	30 December 2014	29 July 2016	0	0	0		93.13	No
Xu Chao (resigned)	Non-executive Director	Male	61	30 December 2014	29 July 2016	0	0	0		5.92	No
Lyu Changjiang (resigned)	Independent non-executive Director	Male	51	30 December 2014	12 June 2016	0	0	0		19	No
Shou Weiguang	Chairman of the Supervisory Committee	Male	53	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, deputy secretary of CPC party committee	Male	60	30 December 2014	30 December 2017	0	0	0		70.94	No
Li Lin	Supervisor	Male	54	30 December 2014	30 December 2017	0	0	0		0	yes
Zheng Xiaoyun	Supervisor	Female	54	21 September 2015	30 December 2017	0	0	0		0	yes
Cheng Feng	Supervisor	Male	45	30 December 2014	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
Chen Huifeng	Supervisor	Male	50	30 December 2014	30 December 2017	0	0	0		0	No
Feng Huang	Supervisor	Male	45	30 December 2014	30 December 2017	0	0	0		0	yes
Song Chunfeng	Supervisor	Male	47	11 July 2016	30 December 2017	0	0	0		0	yes
Qiu Xiaping	Employee Supervisor	Female	56	30 December 2014	30 December 2017	0	0	0		238.95	No
Wang Meijuan	Employee Supervisor	Female	52	30 December 2014	30 December 2017	0	0	0		356.43	No
Hu Hairong	Employee Supervisor	Female	45	30 December 2014	30 December 2017	0	0	0		355.35	No
Song Shihao	Employee Supervisor	Male	47	8 July 2015	30 December 2017	0	0	0		328.23	No
Hu Jingwu (resigned)	Supervisor	Male	61	30 December 2014	30 March 2016	0	0	0		0	Yes
Xu Qi (resigned)	Supervisor	Male	54	30 December 2014	29 December 2016	0	0	0		0	Yes
Ji Yuguang	Deputy General Manager	Male	59	30 December 2014	30 December 2017	0	0	0		70.94	No
Ren Peng	Deputy General Manager	Male	54	30 December 2014	30 December 2017	0	0	0		70.94	No
Hiroki Miyazato	Deputy General Manager	Male	51	30 December 2014	30 December 2017	0	0	0		669.78	No
Pei Changjiang	Deputy General Manager	Male	51	30 December 2014	30 December 2017	0	0	0		70.94	No
Wang Jianye	Chief Risk Control Executive and General Compliance Officer	Male	56	30 December 2014	30 December 2017	0	0	0		474.76	No
Li Chuqian	Chief Financial Officer	Male	59	30 December 2014	30 December 2017	0	0	0		474.76	No
Mao Yuxing	Chief Information Officer	Male	45	19 September 2016	30 December 2017	0	0	0		267.02	No
Huang Zhenghong	Secretary to the Board	Male	41	12 March 2015	30 December 2017	0	0	0		403.94	No
Li Jianguo	Assistant to General Manager	Male	53	30 December 2014	30 December 2017	0	0	0		455.50	No
Chen Chungqian	Assistant to General Manager	Male	53	30 December 2014	30 December 2017	0	0	0		434.61	No
Zhang Xiangyang	Assistant to General Manager	Male	51	30 December 2014	30 December 2017	0	0	0		390.71	No
Lin Yong	Assistant to General Manager	Male	47	30 December 2014	30 December 2017	0	0	0		1,549.40	No
Li Xunlei (resigned)	Deputy General Manager	Male	53	30 December 2014	1 December 2016	0	0	0		987.29	No
Total	/	/	/	/	/	100	100	0	/	4,906.63	/

Notes:

1. Among the total remuneration before tax, foreign currencies shall be calculated based on the median exchange rate of RMB for inter-bank Foreign Exchange Market published by China Foreign Exchange Trading Center on 30 December 2016.
2. The total remuneration mentioned above does not include the remunerations of Hiroki Miyazato, deputy general manager of the Company, received from Haitong Bank; 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.
3. The total amount of remuneration before tax received by the Directors, Supervisors and senior management from the Company during the Reporting Period mentioned above included performance bonus attributable to the year of 2015.

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

Name	Major Work Experience
Zhou Jie (周杰)	<p>Executive Directors (2)</p> <p>Born in 1967, a holder of a master's degree of engineering. Mr. Zhou has served as the Chairman of the Board since 28 October 2016, the secretary of CPC party committee of the Company since July 2016. From February 1992 to June 1996, Mr. Zhou served in the investment banking department of Shanghai International Securities Co., Ltd. (上海萬國證券有限公司). From June 1996 to December 2001, Mr. Zhou served, successively, as the manager of investment department, the vice general manager, and the chairman of the board of directors and the general manager of Shanghai SIIC Asset Operation Co., Ltd. (上海上實資產經營有限公司). From December 2001 to April 2003, he was the director and general manager of SIIC Medical Science and Technology (Group) Limited. (上海實業醫藥科技(集團)有限公司). From January 2002 to July 2016, he acted, successively, as the executive director and the vice executive officer, the executive director and the executive vice president, the vice chairman and chief executive officer of Shanghai Industrial Holdings Limited (上海實業控股有限公司, listed on the Hong Kong Stock Exchange under the stock code of 00363). From August 2004 to July 2016, he served, successively, as the chief planning officer, the executive director and vice president, the executive director and executive vice president, and the president and secretary of CPC party committee of SIIC Shanghai (Holding) Co., Ltd. (上海上實(集團)有限公司). From March 2010 to May 2012, he was the chairman of the supervisory committee of Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 601607; listed on the Hong Kong Stock Exchange under the stock code of 02607), of which he was the chairman of the board of directors and the secretary of CPC party committee from June 2012 to June 2013 and from May 2016 to July 2016. From January 2009 to July 2016, Mr. Zhou was a non-executive director of Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司, listed on the New York Stock Exchange under the ticker symbol of "SMI"; listed on the Hong Kong Stock Exchange under the stock code of 00981).</p>

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

Name	Major Work Experience
Qu Qiuping (瞿秋平)	<p>Born in 1961, a holder of a master's degree in economics, a senior accountant. Mr. Qu has served as an executive Director, the general manager and the deputy secretary of CPC party 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 (He was in charge of the party and political work of Shanghai Jiading Sub-branch of the Industrial and Commercial Bank of China (中國工商銀行上海市嘉定支行) from December 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 Unlisted Public Company Supervision of the CSRC (中國證監會非上市公眾公司監管部) from August 2012 to April 2014. Mr. Qu has been the director of Self-discipline and Supervision Committee of the Securities Association of China (中國證券業協會自律監察專業委員會) since October 2015, the director of Finance Service Committee of the China Association for Public Companies (中國上市公司協會金融服務專業委員會) since November 2015, and the member of Expert Committee of the Finance Research Centre of Counselors' Office of the State Council(國務院參事室金融研究中心) since October 2016.</p>

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

Name	Major Work Experience
Yu Liping (余莉萍)	<p>Non-executive Directors (6)</p> <p>Born in 1962, a holder of an MBA degree, 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 party 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, 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, and 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 master postgraduate, has served as a non-executive Director of the Company since 30 December 2014. He has been the deputy general manager of Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司) since February 2017. Mr. Chen served as the officer of investment management department of Shanghai Tobacco (Group) Company (上海煙草(集團)公司) from July 2003 to January 2010. He served, successively, as assistant to section chief, section chief and assistant to head of investment management department of Shanghai Tobacco (Group) Company (上海煙草(集團)公司, now renamed as Shanghai Tobacco Group Co, Ltd., 上海煙草集團有限責任公司) during January 2010 to October 2016. He was the assistant to general manager of Shanghai Haiyan Investment Management Company Limited from April 2014 to February 2017. Mr. Chen has been 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 ; listed on the Hong Kong Stock Exchange under the stock code of 03958) since October 2014.</p>

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

Name	Major Work Experience
Xu Jianguo (許建國)	<p>Born in 1964, a holder of EMPACC degree, a senior accountant, has served as a non-executive Director of the Company since 18 October 2016. He has been the head of the financial budget department of Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) since April 2013. Mr. Xu worked in the finance department and audit office of Shanghai Cable Works (上海電纜廠) from July 1984 to December 2001, inspection office of Shanghai Electric (Group) Corporation from January 2002 to March 2004 and the assets and finance department of Shanghai Electric Assets Management Company Limited (上海電氣資產管理有限公司) from April 2004 to September 2005, respectively. He served as an assistant to the financial manager of the first management department of Shanghai Electric Assets Management Company Limited from September 2005 to August 2008 during which period he also served as the chief financial officer of Shanghai Li Da Heavy Industrial Manufacturing Limited (上海力達重工製造有限公司) from March 2006 to August 2008. From August 2008 to December 2009, Mr. Xu was the deputy head of the assets and finance department of Shanghai Electric Assets Management Company Limited. Form December 2009 to April 2013, he served as the deputy head of the financial budget department of Shanghai Electric (Group) Corporation. Mr. Xu has been the chairman of the 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) since May 2016, the director 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 2016, the director of Shanghai Life Insurance Company Ltd. (上海人壽保險股份有限公司) since March 2015, the director of Shanghai Electric Group Finance Co., Ltd. (上海電氣集團財務有限責任公司) since April 2013, the director of Shanghai Micro Electronics Equipment Group Co., Ltd. (上海微電子裝備(集團)股份有限公司) since June 2016, and the 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; listed on the Hong Kong Stock Exchange under the stock code of 03958) since November 2016..</p>
Wang Hongxiang (王鴻祥)	<p>Born in 1956, a holder of an MBA degree, a senior accountant, has served as a non-executive Director of the Company since 16 May 2011. He was the deputy chief accountant of Shenergy Group Company Limited (申能(集團)有限公司) from December 1998 to September 2016. Mr. Wang has over 20 years of working experience in accounting and finance since he graduated from university. Mr. Wang was an associate professor at Shanghai University of Finance and Economics for years.</p>

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

Name	Major Work Experience
Zhang Xinmei (張新玫)	Born in 1959, a holder of an MBA degree, a senior accountant, has served as a non-executive Director of the Company since 30 December 2014. She 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 clerk, 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 of finance department, and deputy chief accountant 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 was 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) from 2012 to September 2016, the director of Shenergy Co., Ltd. (申能股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600642) from June 2015 to May 2016.
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. He has been the vice chairman of the board of directors, vice secretary-general of the CPC party 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. 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 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 party committee and secretary-general.

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

Name	Major Work Experience
Liu Chee Ming (劉志敏)	<p>Independent Non-executive Directors (5)</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 28 November 2011. He has been the managing director of Platinum Holdings Limited (百德能控股有限公司) since 1996. He was an independent non-executive director of 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) from November 2013 to June 2016, a non-executive director of 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) from December 2013 to June 2016, an independent non-executive director of Japfa Ltd. (a company listed on the Singapore Exchange under the stock code of UD2) from July 2014 to April 2016. Mr. Liu has been an independent non-executive director of Starhub Ltd. (星和有限公司) (a company listed on the Singapore Exchange under the stock code of CC3) since August 2004, 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) since June 2013, an 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) since May 2015, an independent non-executive director of STT GDC Pte. Ltd. since October 2015. 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 (收購及合併委員會).</p>

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

Name	Major Work Experience
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, the assistant to general manager of personnel education division, the assistant to the president of Bank of Communications Chongqing Branch (交通銀行重慶分行) and the general manager of a real estate development company, vice president and member of the CPC party committee of Bank of Communications Chongqing Branch from September 1990 to November 1995; the president and the secretary of the CPC 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 board of Shenzhen Development Bank (深圳發展銀行) from February 2007 to November 2012. Mr. Xiao has been an independent director of Beijing SPC Environment Protection Tech Co., Ltd. (北京清新環境技術股份有限公司, 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
Feng Lun (馮倫)	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. He has been the chairman of Vantone Holdings Co., Ltd. (萬通投資控股股份有限公司) since January 1993. Mr. Feng was a lecturer and researcher at the Party School of the Central Committee of CPC (中共中央黨校), the Propaganda Department of the Central Committee of CPC (中共中央宣傳部) and National Committee for Economic System Reform (國家體改委) 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 of its board of directors.
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. He has been chairman of Sinosafe General Insurance Co., Ltd. (華安財產保險股份有限公司) since December 2004. Mr. Li served as the section chief of the Finance and Trade Office of Hunan Provincial People's Government (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,; and executive director, chairman of the advisory committee to the board of directors of China Minsheng Investment Group (中國民生投資股份有限公司) since June 2014.

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

Name	Major Work Experience
Zhang Ming (張鳴)	<p>Born in 1958, a holder of doctor's degree in economics, a professor and senior researcher, has served as an independent non-executive Director of the Company since 12 June 2016. He currently lectures at the School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院). Mr. Zhang has lectured in Shanghai University of Finance and Economics since graduation from this university in 1983 and has been the director of the teaching office, the deputy director and then the deputy head of the School of Accountancy. He is now a professor and doctoral supervisor in the same university. Mr. Zhang was an independent non-executive Director of the Company from 8 May 2008 to 30 December 2014. He was an independent non-executive director of Shanghai Shenda Co., Ltd. (上海申達股份有限公司, listed on Shanghai Stock Exchange under the stock code of 600626) from May 2010 to May 2016. He has been an independent non-executive director of Shang Gong Group Co., Ltd. (上工申貝(集團)股份有限公司, listed on Shanghai Stock Exchange under the stock code of 600843 (A shares), 900924 (B shares)) since May 2009, an independent non-executive director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司, listed on Shanghai Stock Exchange under the stock code of 600639 (A shares), 900911 (B shares)) since June 2011, an independent non-executive director of Wuxi Commercial Mansion Grand Orient Co., Ltd. (無錫商業大廈大東方股份有限公司, listed on Shanghai Stock Exchange under the stock code of 600327) since May 2015, and an independent director of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司, listed on Shanghai Stock Exchange under the stock code of 600000) since May 2016.</p>
Wang Kaiguo (王開國)	<p>Resigned Directors (3)</p> <p>Born in 1958, a holder of a doctor's degree in economics, recognized as a senior economist. Mr. Wang joined the Company in February 1995 as the deputy general manager and was the Chairman of the Company from May 1998 to 29 July 2016. 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 was secretary of CPC party committee of the Company from December 1998 to July 2016, a director of the Shanghai Stock Exchange from April 1999 to September 2016, vice president of Securities Association of China from July 2002 to December 2016. Mr. Wang has been the vice chairman of Shanghai Financial Association since May 2014, and the president of Private Equity Association of Shanghai since September 2015.</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, was a non-executive Director of the Company from 16 May 2011 to 29 July 2016. 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 Assets 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 was 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 deputy chief economist and head of investment department of Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) from December 2013 to July 2016, 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 and listed on the Hong Kong Stock Exchange under the stock code of 03958) from March 2011 to July 2016, 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) from June 2011 to July 2016, the director and general manager of Shanghai Electric Hong Kong Co., Ltd. (上海電氣香港有限公司) from March 2015 to July 2016.</p>

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

Name	Major Work Experience
Lyu Changjiang (呂長江)	<p>Born in 1965, a holder of a doctor degree in quantitative economics, was an independent non-executive Director of the Company from 30 December 2014 to 12 June 2016. 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 supervisor of business school of Jilin University during May 2001 to February 2006 and has been serving as the head, associate dean, professor and doctoral supervisor of the accountancy department of management school 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 the following companies: Changchun High & New Technology Industries (Group) Inc. (長春高新技術產業(集團)股份有限公司), East Money Information Co., Ltd. (東方財富信息股份有限公司), Zhejiang China Commodities City Group Co., Ltd. (浙江中國小商品城集團股份有限公司) Shanghai Jinfeng Investment Co., Ltd (上海金豐投資股份有限公司), Nantong Jiangshan Agrochemical & Chemicals 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).</p>

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

Name	Major Work Experience
Shou Weiguang (壽偉光)	<p>Chairman of the Supervisory Committee</p> <p>Born in 1963, a holder of a doctor's degree in economics and a post-doctoral degree in applied economics (finance), 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, successively, at the office of the Ministry of Finance in Shanghai (財政部駐上海專員辦事處) 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 level clerk of the comprehensive planning division of the Shanghai Municipal Finance Bureau (上海市財政局) 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 & Investment Co., Ltd. (上海國際信託投資公司) 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 work of Shanghai International Group Co., Ltd. (上海國際集團有限公司) 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 postdoctoral working station of SIG Financial Development Research Institute.) from December 2002 to September 2009, the secretary of CPC party committee and president of Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司) from September 2009 to March 2013, the deputy mayor of the People's Government of Taiyuan City, Shanxi Province from March 2013 to June 2014, the municipal party committee member and deputy mayor of Taiyuan City, Shanxi Province from June 2014 to April 2015.</p>
Yang Qingzhong (楊慶忠)	<p>Employee Representative Supervisors (5)</p> <p>Born in 1956, a master postgraduate, a senior political officer has served as a Supervisor of the Company since 21 May 2004 and the vice chairman of the Supervisory Committee since 16 May 2011. He has been the secretary of the discipline inspection commission of the Company since October 2008, the deputy secretary of CPC party committee 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 as the deputy director of the CPC party committee office and a member of discipline inspection committee from August 1998 to November 2002, the deputy head 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-Masses 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 organisation department of the CPC party committee from August 2003 to April 2013, and the chairman of the Company's labour union from July 2013 to December 2014.</p>

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

Name	Major Work Experience
Qiu Xiaping (仇夏萍)	<p>Born in 1960, a holder of an MBA degree, a senior accountant, has served as a Supervisor of the Company since 16 July 2007. She was general manager of planning and finance department of the Company from November 2014 to May 2016. Ms. Qiu worked at Yangpu branch of the Industrial and Commercial Bank of China (中國工商銀行) 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. (華夏證券有限公司) from August 1993 to November 1994. Ms. Qiu 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 was a director of Haitong Futures Co., Ltd. (海通期貨有限公司) from October 2005 to December 2016, a director of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) from October 2008 to November 2016, a supervisor of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) from October 2008 to November 2016, a supervisor of Haitong Jihe Private Equity Investment Fund Management Company Limited (海通吉禾股權投資基金管理有限責任公司) from November 2010 to November 2016, and a supervisor of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) from June 2012 to January 2017.</p>

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

Name	Major Work Experience
Wang Meijuan (王美娟)	<p>Born in 1964, a holder of a master's degree in economics, a senior accountant, has served as a Supervisor of the Company since 30 December 2014. She 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 the chairman of the supervisory committee 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. (西安航太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, listing on the Hong Kong Exchange under the stock code of 00665) since September 2012, a supervisor of Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司) since January 2014, a supervisor of Haitong UniFortune International Leasing Co., Ltd. (海通恒運國際租賃有限公司) since January 2014, a supervisor of Shanghai UniCircle Investment & Development Corporation (上海泛圓投資發展有限公司) since January 2014 and a supervisor of Haitong UniTrust Finance & Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司) since July 2014.</p>

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

Name	Major Work Experience
Hu Hairong (胡海蓉)	Born in 1971, a holder of a bachelor's degree in law, an economist, has served as a Supervisor of the Company since 30 December 2014. She has been the director of the department of Party-Masses 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 Shanghai Baoshan business department 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 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, a holder of an MBA degree, has served as a Supervisor of the Company since 8 July 2015. He has been the general manager of the Compliance and Risk Management Headquarter of the Company since April 2016. 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. He worked at the Compliance and Risk Management Headquarter of the Company from January 2013 to April 2016, serving as deputy general manager (in charge of operations). He was a director of Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司) from April 2013 to October 2016. Mr. Song has been a supervisor of Shanghai Haitong Securities Asset Management Company Ltd. since October 2016.

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

Name	Major Work Experience
Li Lin (李林)	<p>Shareholder Representative Supervisors (6)</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 School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院). He served as the deputy chief accountant of Shanghai Huahai Commercial (Group) Co., Ltd. (上海淮海商業(集團)有限公司) 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) (賽領國際投資基金(上海)有限公司) since October 2014.</p>
Zheng Xiaoyun (鄭小蕓)	<p>Born in 1962, a holder of a master's degree in accounting, a senior accountant, 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) (listing on the Shanghai Stock Exchange under the stock code of 600827) since June 2015, and the secretary to the board 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 Shanghai Bailian E-Commerce Co., Ltd. (上海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 the board of directors 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. Cheng worked in the student group in the School of Management of Shanghai Jiao Tong University; from March 1995 to May 1996, he worked in the Department of Foreign Economic of Shanghai Foreign Economic and Trade Commission (上海市對外經濟貿易委員會外經處); from May 1996 to February 2001, he worked in the Youth League of Shanghai Foreign Economic and Trade Commission holding such positions as the deputy secretary and the secretary; from February 2001 to June 2002, he served as vice president (on job training) of Shanghai Electrical Machinery Group Import & Export Co., Ltd (上海機械進出口(集團)有限公司); from June 2002 to April 2005, he served as deputy director and director at the Office of Technology Import and Technological Development and Technology Trade Office of Shanghai Foreign Economic and Trade Commission (上海對外經濟貿易委員會技術進口處和科技發展與技術貿易處); from April 2005 to October 2013, he worked in Shanghai International Group (上海國際集團) holding such positions as 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 of Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司) since March 2014, the director of Shanghai Xinhua Publishing Group Limited (上海新華發行集團有限公司) and Shanghai XinHua Media Co., Ltd. (上海新華傳媒股份有限公司, listing on the Shanghai Stock Exchange under the stock code of 600825) since May 2014, the Chairman of 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 executive director of Shanghai Wenhui and Xinmin Industry Co., Ltd. (上海文匯新民實業有限公司) since September 2014, the chairman of the supervisory committee of Jiemian (Shanghai) Network Technology Co., Ltd. (介面(上海)網路科技有限公司) since September 2014, the director of Shanghai Oriental Pearl Real Estate Co., Ltd. (上海東方明珠房地產有限公司) since October 2014, the Chairman of Shanghai Real Power Capital Co., Ltd. (上海瑞力投資基金管理有限公司), the executive director of Shanghai Shenwen Industry Co., Ltd. (上海申聞實業有限公司) since May 2015, the Chairman of Shanghai East Ticket Co., Ltd. (上海東方票務有限公司), the executive director of Shanghai HR Market News Co., Ltd. (上海人才市場報社有限公司) and Shanghai Realty Times Co., Ltd. (上海房地產時報社有限公司) since February 2016, the chairman of Shanghai Culture Assets and Equity Exchange (上海文化產權交易所股份有限公司) and the executive director of Shanghai Jiefang Media Information Development Co., Ltd. (上海解放傳媒信息發展有限公司) since April 2016, the vice Chairman of Shanghai Dongfang Press Co., Ltd. (上海東方報業有限公司) since July 2016, a director of China Universal Asset Management Company Limited (匯添富基金管理有限公司) since November 2016. Mr. Cheng was the general manager of Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司) from March 2014 to December 2015, the executive director of Shanghai Shendi Asset Management Co., Ltd. (上海申地資產管理有限公司) from April 2014 to August 2015.</p>

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

Name	Major Work Experience
Chen Huifeng (陳輝峰)	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 & development department of Shanghai East Best & 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. & Exp. Co., Ltd. (上海市輕工業品進出口公司) from August 1989 to January 1996, general manager of the hardware branch of Shanghai Light Industry International (Group) Co., Ltd. (上海輕工國際(集團)有限公司) from January 1996 to January 2002, deputy general manager of Shanghai Light Industrial Products Imp. & Exp. Co., Ltd. (上海輕工業品進出口有限公司) from January 2002 to March 2002, deputy general manager of Shanghai Light Industrial International Development Corp., Ltd (上海輕工國際發展有限公司) from March 2002 to December 2003, executive general manager and general manager of Shanghai Lansheng Corporation (上海蘭生股份有限公司) from December 2003 to December 2007, and general manager of the operation department and the investment and management department of Shanghai Lansheng (Group) Co., Ltd. (上海蘭生(集團)有限公司) from December 2007 to December 2013, and a director of Shanghai CP Guojian Pharmaceutical 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 (上海蘭生股份有限公司, listing on the Shanghai Stock Exchange, stock code: 600826) since June 2012, and has been the president of Shanghai East Best & Lansheng Convention & Exhibition Group (上海東浩蘭生會展集團) since July 2016.
Feng Huang (馮煌)	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 joined SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司) in January 1999 and served in various positions, including the president and director since December 2012, and the vice chairman since September 2014. Mr. Feng has been a director of Shanghai Lujiazui Finance & Trade Zone United Development Co., Ltd. (上海陸家嘴金融貿易區聯合發展有限公司) since July 2004, 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, the vice chairman of Shanghai Guojin Leasing Co., Ltd. (上海國金租賃有限公司) since January 2014, a director of SIIC Group Finance Co., Ltd. (上海上實集團財務有限公司) since May 2014, 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 chairman and president of Shanghai SIIC Investment Management Consulting Co., Ltd. (上海上實投資管理諮詢有限公司) since December 2014, a supervisor of Shanghai Pudong Science and technology Co., Ltd. (上海浦東科技投資有限公司) since January 2015, a director of Shanghai SIIC Financial Service Holding Ltd. (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 (滬光國際上海發展投資有限公司 (listing on the Hong Kong 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.

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

Name	Major Work Experience
Song Chunfeng (宋春風)	<p>Born in December 1969, a holder of a doctorate degree in civil and commercial law, has served as a Supervisor of the Company since 11 July 2016. He has been the general manager of China Ship owners Mutual Assurance Association (中國船東互保協會) since March 2016. From August 1992 to September 1996, Mr. Song worked at China Ocean Shipping (Group) Company ("COSCO", 中國遠洋運輸(集團)總公司), where he served as a cadre at the department of insurance and settlement of claims and the department of commerce, and the deputy section chief level clerk of the unit of commerce under the department of transmission successively. From September 1996 to June 1997, he studied at the China Ocean Administration Training Class (中遠管理培訓班) offered by Peking University. From June 1997 to September 1998, he worked at the America branch of COSCO. From September 1998 to February 2009, he worked at the department of transmission of COSCO, where he successively served as the section chief level clerk, deputy director and director of the department of commerce and the manager of the unit of commerce. From February 2009 to March 2012, he served as the manager of the unit of commerce under the department of transmission of COSCO and China COSCO Holdings Company Limited (listing on the Shanghai Stock Exchange, stock code: 601919; listing on the Hong Kong Exchange, stock code: 01919) respectively. From March 2012 to March 2016, he worked as the managing director of COSCO (Hong Kong) Insurance Brokers Limited. Mr. Song served as the chairman and the general manager of Shenzhen COSCO Insurance Brokers Limited (深圳中遠保險經紀公司), a member of Documentary Committee of the Baltic and International Maritime Council (Denmark) and a member of the Insurance Committee of Asian Ship owner's Forum (亞洲船東論壇). Currently, he serves as an arbitrator and a member at China Maritime Arbitration Commission, an arbitrator at South China International Economic and Trade Arbitration Commission, the deputy chairman of Maritime Law Research Professional Committee of China Institute of Navigation (CIN), a director of China Maritime Law Association (CMLA) and a guest research fellow at Peking University Maritime Law Research Centre. Mr. Song has been a director of China Minsheng Banking Co., Ltd. (中國民生銀行股份有限公司, listing on the Shanghai Stock Exchange under the stock code of 600016) since February 2017.</p>

Resigned Supervisors (2)

Hu Jingwu (胡京武)	<p>Born in 1955, a holder of a bachelor's degree in economics, was a Supervisor of the Company from 16 October 2013 to 30 March 2016. He was the general manager of China Ship owners Mutual Assurance Association from May 2013 to March 2016. Mr. Hu served in various positions in China Ocean Shipping (Group) Company from January 1982 to February 1997, including as the deputy section chief and section chief of the insurance section under the commerce division, the deputy division chief and division chief of the commerce division under the transportation department, and the deputy general manager of the transportation department. Mr. Hu served as the director and the deputy general manager of China P & I Services (Hong Kong) Co., Ltd. from February 1997 to October 2000, and the executive deputy general manager of China Shipowners Mutual Assurance Association from October 2000 to May 2013.</p>
--------------------	--

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

Name	Major Work Experience
Xu Qi (許奇)	<p>Born in 1962, a master postgraduate, recognized as an accountant and a senior international finance manager, was a Supervisor of the Company from 16 July 2007 to 29 December 2016. He has been the chief accountant of Shanghai Oriental Pearl Group Co., Ltd. (上海東方明珠新媒體股份有限公司, listing 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 as the deputy manager of the asset operation department and the deputy manager of the asset finance department. He also served as the deputy manager of the asset finance department of Shanghai Tianyuan Group Co., Ltd. (上海天原集團有限公司) from March 1996 to April 1997. Mr. Xu was also the manager of the planning and finance department, 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 2004 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 was a supervisor of Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司, listing on the Shenzhen Stock Exchange, stock code: 000166) and Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司) from January 2015 to August 2016.</p>
Ji Yuguang (吉宇光)	<p>Other Senior Management (12)</p> <p>Born in 1957, a holder of a master postgraduate, 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 (中國交通銀行) (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 (吉林省現代農業和新興產業投資基金有限公司) from December 2010 to May 2011, a director of China-Belgium Direct Equity Investment Fund (中國-比利時直接股權投資基金) from November 2004 to March 2011, a director of HFT Investment Management Co., Ltd. (海富通基金管理有限公司) from April 2003 to March 2016. Mr. Ji has been a non-executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listing on the Hong Kong Exchange under the stock code of 0665) 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 (海通國際控股有限公司) since March 2011.</p>

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

Name	Major Work Experience
Ren Peng (任澎)	Born in 1962, a holder of a master's degree in business and administration, an economist, 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 (中國工商銀行) from June 1982 to February 1988 and served in various positions in Bank of Communications (中國交通銀行) (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. (海通開元投資有限公司) from October 2008 to August 2011. He has been a director of China-Belgium Direct Equity Investment Fund (中國－比利時直接股權投資基金) since March 2011. He has been chairman of the board of Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司), Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司), Haitong UniFortune International Leasing Co., Ltd. (海通恒運國際租賃有限公司), and Haitong UniTrust Finance & Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司) since July 2014, and a director of Shanghai UniCircle Investment & Development Corporation (上海泛圓投資發展有限公司) since July 2014.
Hiroki Miyazato (宮里啓暉)	Born in 1965, a holder of 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 the business of securities investment, trading, Shanghai FTZ (上海自貿試驗區) and Haitong Bank S.A.. 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 of the Company from May 2009 to March 2012. Mr. Miyazato has been the chairman of Haitong Bank S.A. from September 2015, and CEO, director of proprietary trading decision committee, a member of capital allocation committee and international business coordination committee of Haitong Bank S.A. since December 2016.

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

Name	Major Work Experience
Pei Changjiang (裴長江)	Born in 1965, a holder of 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 International Securities Co., Ltd., (上海萬國證券公司) 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., (申銀萬國證券公司). From October 2002 to August 2013, he successively served as investment director of Fortune Trust & Investment Co., Ltd. (華寶信託投資有限責任公司) and a director and general manager of Fortune SGAM Fund Management Co., Ltd. (華寶興業基金管理有限公司). Mr. Pei has been a director of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) since August 2014, chairman of Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司) since November 2014, and chairman of Haitong Futures Co., Ltd. (海通期貨有限公司) since September 2015.
Wang Jianye (王建業)	Born in 1960, a holder of a master postgraduate, a senior economist, joined the Company in August 1994 and has been the General Compliance Officer since July 2010, the Chief Risk Officer (enjoying the Company's deputy general manager level benefits) since May 2011, and the general manager of Compliance and Legal Department of the Company since March 2017. He is mainly in charge of compliance and risk management departments. Mr. Wang is also a 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), and the director of Compliance and Self-discipline Supervision Committee of Shanghai Securities Association (上海證券同業公會合規與自律監察專業委員會). Mr. Wang was successively deputy section chief level clerk, trainee deputy director and deputy director of education department of financial administration division of PBOC (中國人民銀行) 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 centre, sales and transactions headquarters, customer asset management department and risk control department.

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

Name	Major Work Experience
Li Chuqian (李礎前)	<p>Born in 1957, a holder of a master degree in economics, 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) since July 2007, mainly in charge of finance. 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 the deputy director of 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 deputy section chief level 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) (listing on the Shanghai Stock Exchange, stock code: 600836) from May 2006 to May 2009, the supervisor of Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司) from June 2012 to October 2016. Mr. Li has been the chairman of the supervisory committee of HFT Investment Management Co., Ltd. (海富通基金管理有限公司) since April 2003, and a director of Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司) since June 2010.</p>
Mao Yuxing (毛宇星)	<p>Born in 1971, a holder of a doctor's degree in Science and a post-doctoral degree in management, a senior engineer (professor level), has served as Chief Information Officer and director of IT management committee of the Company since 19 September 2016. From August 1993 to September 2001, Mr. Mao successively held various positions in Information Technology Department of Shanghai branch of the Industrial and Commercial Bank of China (中國工商銀行) including programmer, deputy section chief, section chief and deputy director. From September 2001 to November 2011, he successively served as assistant to the general manager(deputy department director level and department director level), deputy general manager and member of CPC party committee in Data Centre (Shanghai) of the Industrial and Commercial Bank of China (中國工商銀行). From November 2011 to April 2016, he served as deputy general manager of Information Technology Department of the Industrial and Commercial Bank of China (中國工商銀行). Mr. Mao was a member of the Expert Committee of People's Bank of China (中國人民銀行), China Banking Regulatory Commission (中國銀監會), Ministry of Public Security (公安部) of China and Ministry of Industry and Information Technology (工信部) of China.</p>

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

Name	Major Work Experience
Huang Zhenghong (黃正紅)	Born in 1975, a holder of a master's degree in economics, joined the Company in July 2001 and has been the secretary of the Board since March 2015, the joint company secretary and joint authorized representative of the Company since April 2015. Mr. Huang served in various positions in the Company, including an industry analyst in our research institute 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 from December 2003 to March 2011 successively, a deputy director of the office of strategic development & IT management committee and assistant to director of the general manager's office from March 2011 to November 2012, and the general manager of the strategic development department from November 2012 to February 2017. 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, the director of HFT Investment Management Co., Ltd. (海富通基金管理有限公司) since March 2016.
Li Jianguo (李建國)	Born in 1963, a holder of a doctor's degree in economics, joined the company in 1998, and has been an assistant to the General Manger of the Company since 2008. 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. (富國基金管理有限公) from May 1999 to August 2008. Mr. Li served as the chairman of Haitong International Holdings Limited (海通國際控股有限公司) from October 2008 to August 2010. He has been the vice chairman of Haitong International Holdings Limited since October 2010, an executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listing on the Hong Kong Exchange, stock code: 00665) since January 2010 and vice chairman of the Board and member of strategic development committee of Haitong International Securities Group Limited since March 2010.

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

Name	Major Work Experience
Chen Chunqian (陳春錢)	<p>Born in 1963, a holder of 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 IT management committee, and a member of international business coordination committee. He has enjoyed the Company's deputy general manager level benefits since February 2017. He is also a deputy director of Financing Securities Business Committee under the Securities Association of China (中國證券協會融資融券業務委員會), the deputy director of Securities Conflict Resolution Committee of Shanghai Securities Association (上海證券同業公會證券糾紛調解專業委員會). Mr. Chen also served in various positions in the Company, including the head of business department of Shenzhen Branch from October 1997 to January 1998, the deputy general manager of international business department 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 institutional 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.</p>

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

Name	Major Work Experience
Zhang Xiangyang (張向陽)	<p>Born in 1965, a holder of a bachelor's degree in engineering, a senior economist, joined the Company in May 1996 and has been the assistant to the General Manager since December 2014 and the director of the PE and industrial capital investment committee of the Company since March 2013, mainly responsible for the direct equity investments. Mr. Zhang 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 operation) 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, a director, general manager and the director of the investment decision committee of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) from October 2008 to November 2012, a director of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) from June 2012 to August 2015, chairman of Haitong Innovative Capital Management Co., Limited (海通創新資本管理有限公司) from November 2011 to July 2015, chairman of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) from August 2015 to March 2016, 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) from July 2013 to May 2016, and chairman of Haitong New Energy Equity Investment Management Co., Ltd. from July 2015 to May 2016. Mr. Zhang has been chairman and the director of the investment decision committee of Haitong Capital Investment Co., Ltd. since December 2012, chairman of Haitong Creative Capital Management Co., Ltd. since March 2016, and the chairman of Haitong M&A Capital Management (Shanghai) Co., Ltd. (海通並購資本管理(上海)有限公司) since June 2016.</p>

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

Name	Major Work Experience
Lin Yong (林湧)	<p>Born in 1969, a holder of 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 (海通國際控股有限公司) since July 2007. Mr. Lin served in various positions in the Company, including as a deputy general manager in investment banking department from December 1996 to July 2003, and as deputy general manager (in charge of operation) from January 2001 to July 2003, deputy general manager of the fixed income department from July 2003 to May 2004, successively deputy general manager (in charge of daily management) and general manager of the investment bank department (Shanghai) from May 2004 to July 2007, joint chief executive and managing director of Haitong International Securities Group Limited (海通國際證券集團股份有限公司, listing on the Hong Kong Stock Exchange under the stock code of 0665) from March 2010 to March 2011. Mr. Lin has been an executive director of Haitong International Securities Group Limited since December 2009, member of the executive committee and the strategic development committee of Haitong International Securities Group Limited since February 2010, vice chairman of the Board, managing director and chief executive officer of Haitong International Securities Group Limited since April 2011, chairman of the executive committee of Haitong International Securities Group Limited since June 2011, and the director of Haitong Bank S.A. since April 2016.</p>
Li Xunlei (李迅雷)	<p>Resigned Senior Management (1)</p> <p>Born in 1963, a holder of master degree in economics. He worked for the Company from October 2011 to December 2016. He was the Deputy General Manager and Chief Economist from March 2012 to December 2016, and was 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 (上海財經大學) from July 1985 to September 1996. Mr. Li was deputy director of research institute of Junan Securities Co., Ltd. (君安證券有限責任公司) from September 1996 to August 1999. He was deputy director and director of the research institute and general manager of sales and trading headquarters, assistant to president, general economist and chief economist in Guotai Junan Securities Co., Ltd. (國泰君安證券有限公司) from 1999 to 2011.</p>

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

Descriptions of other situations

1. Changes in Directors

Reference is made to the announcement of the Company dated 11 December 2015, Mr. Lyu Changjiang tendered his resignation from the office of the independent non-executive director of the sixth session of the Board, the chairman of the Audit Committee and the member of the Nomination, Remuneration and Assessment Committee of the Company due to career development reason. His resignation took effect upon the appointment of a new independent non-executive director being approved at the general meeting of the Company and the qualifications of such independent non-executive director being approved by securities regulatory authorities (i.e. on 12 June 2016 when independent non-executive director Mr. Zhang Ming took his office).

On 30 March 2016, the Resolution on the Nomination of Mr. Zhang Ming as Candidate of independent non-executive Director was considered and approved at the fifteenth meeting of the sixth session of the Board. Mr. Zhang Ming was nominated to act as independent non-executive director of the sixth session of the Board, and his term of office will be the same as the sixth session of the Board. Once his qualification as independent non-executive director takes effect, he will take over the duties as the chairman of the Audit Committee and the member of the Nomination, Remuneration and Assessment Committee. Such proposal was considered and approved at 2015 annual general meeting held on 26 May 2016. Reference is made to the announcement of the Company dated 20 June 2016, and the qualification of Mr. Zhang Ming was approved by securities regulatory authorities on 12 June 2016. On the same day, Mr. Zhang Ming started to perform the duties as independent non-executive director, chairman of the Audit Committee and the member of the Nomination, Remuneration and Assessment Committee.

On 29 July 2016, the Resolution on Nomination of Directors was considered and approved at the seventeenth meeting (extraordinary meeting) of the sixth session of the Board. Chairman Mr. Wang Kaiguo submitted resignation report to the Board, requesting to resign from the office of director, chairman of the Board, legal representative and authorized representative (for the purpose of Rule 3.05 of the Hong Kong Listing Rules) of the Company, as well as the office of chairman of the Development Strategy and Investment Management Committee due to career development reason. After resignation, he would no longer hold any other position in the Company. The Board approved to nominate Mr. Zhou Jie as the candidate of director of the sixth session of the Board, and his term of office will be the same as the sixth session of the Board. Mr. Xu Chao, a director, resigned as a director of the six session of the Board, member of the Development Strategy and Investment Management Committee and member of the Audit Committee due to change of job. The Board approved to nominate Mr. Xu Jianguo as the candidate of director of the sixth session of the Board, and his term of office will be the same as the sixth session of the Board. After his qualification as director takes effect, Mr. Xu Jianguo will take over the duties as the member of the Development Strategy and Investment Management Committee and the member of Audit Committee. Such proposal was considered and approved at the first extraordinary general meeting of 2016 held on 23 September 2016. Reference is made to the announcement of the Company dated 18

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

October 2016, approving qualification of Mr. Zhou Jie and Mr. Xu Jianguo as directors of securities company (please see “Reply on Approval of Qualification of Zhou Jie as Personnel with Nature of Chairman of Board of Securities Company” (Hu Zheng Jian Xu Ke [2016] No. 121) and “Reply on Approval of Qualification of Xu Jianguo as Director of Securities Company” (Hu Zheng Jian Xu Ke [2016] No. 118), respectively), and Mr. Zhou Jie and Mr. Xu Jianguo started to perform the duties as director since 18 October 2016.

On 28 October 2016, “Resolution in Relation to Selecting Mr. Zhou Jie as the Chairman of the sixth Session of the Board” and “Resolution in Relation to Selecting Mr. Zhou Jie as the chairman and member of adjustment of the Development Strategy and Investment Management Committee” were considered and approved at the nineteenth meeting of the sixth session of the Board, approving Mr. Zhou Jie to act as the Chairman of the Company and the chairman of the Development Strategy and Investment Management Committee, as well as the legal representative and authorized representative (for the purpose of Rule 3.05 of the Hong Kong Listing Rules) of the Company.

Reference is made to the announcement of the Company dated 31 August 2016, in which Mr. Li Guangrong tendered his resignation from the office of the independent non-executive director of the sixth session of the Board of the Company, and the office of chairman of the Nomination, Remuneration and Assessment Committee, as well as the member of the Development Strategy and Investment Management Committee and the member of Audit Committee due to career development reason. After resignation, he would no longer hold any other position in the Company. His resignation took effect upon the appointment of a new independent non-executive director being approved at the general meeting of the Company and the qualification of such independent non-executive director being approved by securities regulatory authorities. On 23 September 2016, “Resolution in Relation to the Appointment of Mr. Lam Lee G. as the Independent Non-executive Director of the Company” was considered and approved at the first extraordinary general meeting of 2016 of the Company, approving Mr. Lam Lee G. as an independent non-executive director of the Company, and his term of office will be the same as the sixth session of the Board, Mr. Li Guangrong will continue to function until his qualification as an independent non-executive director is approved by the regulatory authorities. On 28 October 2016, “Resolution in Relation to selecting Mr. Zhou Jie as the chairman and member of adjustment of the Development Strategy and Investment Management Committee of the sixth session of the Board” and “Resolution in Relation to Adjusting the Members of Audit Committee” were considered and approved at the nineteenth meeting of the sixth session of the Board, adjusting the members of the Development Strategy and Investment Management Committee and the members of Audit Committee of the Board, and appointing Mr. Lam Lee G. to take the office of Mr. Li Guangrong as a member of the Committee. “Resolution in Relation to selecting Mr. Liu Cheeming as the chairman and member of adjustment of the Nomination, Remuneration and Assessment Committee of the sixth session of the Board” was also considered and approved, appointing Mr. Liu Cheeming (an independent non-executive director) to take the office of Mr. Li Guangrong as the chairman of the Nomination, Remuneration and Assessment Committee as well as adding Mr. Lam Lee G. as the member of this Committee. The above appointment will be effective after Mr. Lam Lee G.’s qualification as an independent non-executive director is approved by the regulatory authorities. Before that, Mr. Li Guangrong will continue to perform his duties.

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

As of 31 December 2016, the sixth session of the Board comprised 13 Directors, including two executive Directors, namely Mr. Zhou Jie (chairman) and Mr. Qu Qiuping; six non-executive Directors, namely Ms. Yu Liping, Mr. Chen Bin, Mr. Xu Jianguo, Mr. Wang Hongxiang, Ms. Zhang Xinmei and Mr. Shen Tiedong; five independent non-executive Directors, namely Mr. Liu Cheeming, Mr. Xiao Suining, Mr. Feng Lun, Mr. Li Guangrong (he has resigned and will continue to perform his duties until Mr. Lam Lee G.'s qualification as an independent non-executive director is approved by the regulatory authorities) and Mr. Zhang Ming. 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 30 March 2016, the Resolution on Change of Supervisor was considered and approved at the eighth meeting of the sixth session of the Supervisory Committee and Mr. Hu Jingwu submitted his resignation as a Supervisor to the Supervisory Committee due to age reason; the Supervisory Committee recommended Mr. Song Chunfeng to be candidate of Supervisor of the sixth session of the Supervisory Committee of the Company. Such proposal was considered and approved at the 2015 annual general meeting held on 26 May 2016. Reference is made to the announcement of the Company dated 11 July 2016, pursuant to which the qualification of Mr. Song Chunfeng as a supervisor of securities company was approved by securities regulatory authorities and his appointment became effective on the same day.

Reference is made to the announcement of the Company dated 29 December 2016, in which Mr. Xu Qi submitted his resignation as a Supervisor to the Supervisory Committee due to work arrangements.

As of 31 December 2016, the sixth session of the Supervisory Committee comprised 12 Supervisors, including seven non-employee Supervisors, namely, Mr. Shou Weiguang (chairman of the Supervisory Committee), Mr. Li Lin, Ms. Zheng Xiaoyun, Mr. Cheng Feng, Mr. Chen Huifeng, Mr. Feng Huang and Mr. Song Chunfeng, and five employee Supervisors, namely, Mr. Yang Qingzhong (vice chairman of the Supervisory Committee), 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.

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

3. *Changes in senior management*

On 27 April 2016, “Resolution on Appointment of Mr. Mao Yuxing as Chief Information Officer of the Company” was considered and passed at the sixteenth meeting (extraordinary meeting) of the sixth session of the Board, Mr Mao Yuxing was appointed by the Company as the chief information officer, and his qualifications will take effect upon approval by regulatory authorities. Reference is made to the overseas regulatory announcement of the Company dated 19 September 2016, in which Mr. Mao Yuxing’s qualifications for senior management of securities company was approved, and his appointment as senior management of the Company became effective on 19 September 2016.

Reference is made to the announcement of the Company dated 2 December 2016, on 1 December 2016, the sixth session of the Board of the Company received the written resignation report of Mr. Li Xunlei as the Company’s deputy general manager and chief economist, and Mr. Li Xunlei tendered his resignation from the office of the Company’s deputy general manager and chief economist due to personal reason.

On 29 March 2017, the Resolution on Appointment of Secretary to the Board and Joint Company Secretary was considered and approved at the twenty-third meeting of the sixth session of the Board. Due to personal career development, Mr. Huang Zhenghong ceased to act a secretary to the Board, a joint company secretary, an authorized representative of the Company (for the purpose of Rule 3.05 of the Hong Kong Listing Rules), 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. Pursuant to the PRC Company Law and Articles of Association of the Company, the Board proposed to appoint Mr. Jiang Chengjun as a secretary to the Board, a joint company secretary, an authorized representative of the Company (for the purpose of Rule 3.05 of the Hong Kong Listing Rules), 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. The appointment of Mr. Jiang Chengjun as a joint company secretary shall be subject to the approval to be granted by the Hong Kong Stock Exchange in respect of a waiver from strict compliance with Rules 3.28 and 8.17 of the Hong Kong Listing Rules.

(II) Equity incentives granted to the Directors and 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 in the shareholder entities	Commencement date	Termination date
Positions of current Directors				
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)	Deputy General Manager	2017	to date
Xu Jianguo	Shanghai Electric (Group) Corporation (上海電氣(集團)總公司)	Head of Financial Budget Department	2013	to date
Wang Hongxiang	Shenergy Group Company Limited (申能(集團)有限公司)	Deputy Chief Accountant	1998	2016
Zhang Xinmei	Shanghai Jiushi (Group) Co., Ltd. (上海久事(集團)有限公司)	Vice President	2014	to date
Shen Tiedong	Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團))	Vice Chairman, Vice Secretary of CPC Party Committee and General Manager	2014	to date
Positions of resigned Directors:				
Xu Chao	Shanghai Electric (Group) Corporation (上海電氣(集團)總公司)	Deputy Chief Economist and Head of Investment Department	2013	2016
Positions of current Supervisors:				
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
Song Chunfeng	China Shipowners Mutual Assurance Association (中國船東互保協會)	General Manager	2016	to date
Chen Huifeng	Shanghai Lansheng Corporation (上海蘭生股份有限公司)	Director	2012	to date
Positions of resigned Directors:				
Hu Jingwu	China Shipowners Mutual Assurance Association (中國船東互保協會)	General Manager	2013	2016
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

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
Positions of current Directors:				
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	Orient Securities Company Limited (東方證券股份有限公司)	Non-executive director	2014	to date
	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	2016
	Jingan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團靜安煙草糖酒有限公司)	Director	2016	to date
	Zhabei Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團閘北煙草糖酒有限公司)	Director	2016	to date
	Luwan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團盧灣煙草糖酒有限公司)	Director	2016	to date
	Railway Tobacco Co., Ltd. of Shanghai Tobacco Group (上海煙草集團鐵路煙草有限公司)	Director	2016	to date
	Jiading Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團嘉定煙草糖酒有限公司)	Director	2016	to date
	Putuo Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團普陀煙草糖酒有限公司)	Director	2016	to date
	Huangpu Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團黃埔煙草糖酒有限公司)	Director	2016	to date
	Fengxian Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團奉賢煙草糖酒有限公司)	Director	2016	to date
	Jinshan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團金山煙草糖酒有限公司)	Director	2016	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
Xu Jianguo	Changning Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團長寧煙草糖酒有限公司)	Director	2016	to date
	Shanghai Magnolia Tobacco Materials Co., Ltd. (上海白玉蘭煙草材料有限公司)	Director	2016	to date
	Shanghai Jinding Printing Co., Ltd. (上海金鼎印務有限公司)	Director	2016	to date
	Shanghai Haiyan Tobacco Industry Chain Enterprise Management Co., Ltd. (上海海煙煙行連鎖企業管理有限公司)	Director	2016	to date
	Shanghai Prime Machinery Co., Ltd. (上海集優機械股份有限公司)	Chairman of the supervisory committee	2016	to date
	Orient Securities Company Limited (東方證券股份有限公司)	Non-executive director	2016	to date
	Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司)	Non-executive director	2016	to date
	Shanghai Life Insurance Company Ltd. (上海人壽保險股份有限公司)	Non-executive director	2015	to date
	Shanghai Electric Group Finance Co., Ltd. (上海電氣集團財務有限責任公司)	Non-executive director	2013	to date
	Shanghai Micro Electronics Equipment Group Co., Ltd. (上海微電子裝備(集團)股份有限公司)	Non-executive director	2016	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)")	Non-executive director	2012	2016
	Shenergy Company Limited (申能有限公司)	Non-executive director	2015	2016
	Positions of current independent non-executive Directors:			
Liu Cheeming	Platinum Holdings Limited (百德能控股有限公司)	Managing director	1996	to date
	Kader Holdings Company Limited (開達集團有限公司)	Non-executive director	2013	2016
	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

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

Name	Name of entities	Positions taken in other entities	Commencement date	Termination 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	2016
	Jafa Ltd.	Independent non-executive director	2014	2016
	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	Herald Pacific Financial Leasing Co., LTD. (先鋒太盟融資租賃有限公司)	Chairman	2013	to date
	Beijing SPC Environment Protection Tech Co., Ltd. (北京清新環境技術股份有限公司)	Independent non-executive director	2013	to date
	Zhongrun Resources Investment Incorporated Company (中潤資源投資股份有限公司)	Independent non-executive director	2013	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	2016
	Beijing Sifang Yufeng Investment Co., Ltd. (北京四方御風投資有限公司)	Chairman	2016	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
Zhang Ming	School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院)	Professor	1997	to date
	Shang Gong Group Co., Ltd. (上工申貝(集團)股份有限公司)	Independent non-executive director	2009	to date
	Shanghai Shenda Co., Ltd. (申達股份有限公司)	Independent non-executive director	2010	2016
	Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司)	Independent non-executive director	2011	to date
	Wuxi Commercial Mansion Grand Orient Co., Ltd. (無錫商業大廈大東方股份有限公司)	Independent non-executive director	2015	to date
	Shanghai Pudong Development Bank Co., Ltd.	Independent non-executive director	2016	to date
Positions of resigned Directors:				
Xu Chao	Orient Securities Company Limited (東方證券股份有限公司)	Non-executive director	2011	2016
	Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司)	Vice Chairman	2011	2016
	Shanghai Electric Hong Kong Co., Ltd. (上海電氣香港有限公司)	Director and General Manager	2015	2016
Lyu Changjiang	School of management of Fudan University (復旦大學管理學院)	Head of the Department of Accounting, associate dean, Professor, Doctoral Tutor	2006	to date
	Shanghai Jinfeng Investment Co., Ltd. (上海金豐投資股份有限公司)	Independent Director	2010	2016
	Nantong Jiangshan Agrochemical & Chemical Co. LTD. (南通江山農藥化工股份有限公司)	Independent Director	2010	2016
	China Tianying Inc. (中國天楹股份有限公司)	Independent Director	2010	2016

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

Name	Name of entities	Positions taken in other entities	Commencement date	Termination date
Positions of current Supervisors:				
Li Lin	Bright Food Group Finance Co., Ltd.(光明食品集團財務有限公司)	Chairman	2014	to date
	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
Chen Huifeng	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
	Shanghai East Best Exhibition Group (上海東浩蘭生會展國際)	President	2016	to date
Cheng Feng	Shanghai United Media Group (上海報業集團)	Member of the CPC Party Committee, Deputy General Manger	2013	to date
	Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司)	Chairman	2014	to date
	Shanghai Xinhua Publishing Group Limited (上海新華發行集團有限公司), Shanghai Xinhua Media Co., Ltd. (上海新華傳媒股份有限公司)	Director	2014	to date
	Shanghai Shangbao Chuanyue Properties Development Co., Ltd. (上海上報傳悅置業發展有限公司)	Chairman	August 2014	to date
	Shanghai Wenhui and Xinmin Industry Co., Ltd. (上海文匯新民實業有限公司), Jiemian (Shanghai) Network Technology Co., Ltd. (界面(上海)網絡科技有限公司)	Chairman of the board of supervisors	2014	to date
	Shanghai Oriental Pearl Real Estate Co., Ltd. (上海東方明珠房地產有限公司)	Director	2014	to date
	Shanghai Real Power Capital Co., Ltd. (上海瑞力投資基金管理有限公司)	Chairman	2015	to date
	Shanghai Shenwen Industry Co., Ltd. (上海申聞實業有限公司)	Executive director	2015	to date
	Shanghai East Ticket Co., Ltd. (上海東方票務有限公司)	Chairman	2016	to date
	Shanghai Human Resource Market Press Co., Ltd. (上海人才市場報社有限公司)	Executive director	2016	to date
Shanghai Real Estate Times Press Co., Ltd. (上海房地產時報社有限公司)	Executive director	2016	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	
Feng Huang	Shanghai Culture Assets and Equity Exchange Co., Ltd. (上海文化產權交易所股份有限公司)	Chairman	2016	to date	
	Shanghai Jiefang Media Information Development Co., Ltd. (上海解放傳媒信息發展有限公司)	Executive director	2016	to date	
	Shanghai Dongfang Press Co., Ltd. (上海東方報業有限公司)	Vice chairman	2016	to date	
	China Universal Asset Management Company Limited (匯添富基金管理股份有限公司)	Director	2016	to date	
	SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司)	Director and President	2012	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), South Pacific Hotel Hong Kong Co., Ltd. (南洋酒店(香港)有限公司)	Chairman	2012	to 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 SIIC Asset Operation Co., Ltd. (上海上實資產經營有限公司)	Chairman	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 Shangtou Asset Operation Co., Ltd. (上海上投資產經營有限公司)	Director	2015	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	
	Positions of resigned Supervisors:				
	Xu Qi	Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司)	Supervisor	2015	2016
		Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司)	Supervisor	2015	2016

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

Name	Name of entities	Positions taken in other entities	Commencement date	Termination date
Particulars about the employment of current senior management:				
Ji Yuguang	Haitong International Securities Group Limited	Non-executive director	2010	To date
	Haitong International Securities Group Limited	Chairman of the Board	2011	To date
	Haitong International Securities Holdings Limited	Director	2010	To date
	Haitong International Holdings Limited	Director	2010	to date
Ren Peng	Haitong International Holdings Limited	Chairman of the Board	2011	to date
	China-Belgium Direct Equity Investment Fund	Director	2011	to date
	Haitong UT Capital Group Co., Limited	Chairman	2014	to date
	Haitong UniTrust International Leasing Corporation	Chairman	2014	to date
	Haitong UniFortune International Leasing Co., Ltd	Chairman	2014	to date
	Haitong UniTrust Finance & Leasing Corporation (Shanghai)	Chairman	2014	to date
	Shanghai UniCircle & Investment & Development Corporation	Director	2014	to date
Hiroki Miyazato	Haitong Bank, S. A.	Chairman of the Board	2015	to date
	Haitong Bank, S. A.	Chief Executive Officer, Director of Self Operation Decision Committee, Member of Capital Allocation Committee, Member of International Business Coordination Committee	2016	to date
Pei Changjiang	Fullgoal Fund Management Co., Ltd.	Director	2014	to date
	Shanghai Haitong Securities Asset Management Company Ltd.	Chairman	2014	to date
Li Chuqian	Haitong Futures Co., Ltd.	Chairman	2015	to date
	HFT Investment Management Co., Ltd.	Supervisor	2003	to date
Huang Zhenghong	Haitong-Fortis Private Equity Fund Management Co., Ltd.	Director	2010	to date
	Haitong UT Capital Group Co., Limited	Director	2014	to date
	Haitong UniTrust International Leasing Corporation	Director	2014	to date
	Haitong UniFortune International Leasing Co., Ltd.	Director	2014	to date
	Shanghai UniCircle Investment & Development Corporation	Director	2014	to date
	Haitong UniTrust Finance & Leasing Corporation (Shanghai)	Director	2014	to date
	Shanghai Haitong Assets Management Co., Ltd.	Director	2013	to date
Li Jianguo	HFT Investment Management Co., Ltd.	Director	2016	to date
	Haitong International Holdings Limited	Vice Chairman	2010	to date
	Haitong International Securities Group Limited	Executive Director	2010	to date
	Haitong International Securities Group Limited	Vice Chairman of the Board and Member of Strategic Development Committee	2010	to date
Chen Chunqian	E-Capital Transfer Co., Ltd.	Director	2015	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
Zhang Xiangyang	Haitong Capital Investment Co., Ltd.	Chairman and Director of Investment Decision Committee	2012	to date
	Haitong Innovation Capital Management Co., Limited	Director	2016	to date
	Haitong M&A Capital Management (Shanghai) Limited	Chairman	2016	to date
Lin Yong	Haitong International Securities Group Limited	Executive Director	2009	to date
	Haitong International Securities Group Limited	Member of Executive Committee and Strategic Development Committee	2010	to date
	Haitong International Securities Group Limited	Vice chairman of the Board, Managing Director and Chief Executive Officer	2011	to date
	Haitong International Securities Group Limited	Chairman of Executive Committee	2011	to date
Li XunLei	Haitong Bank, S.A.	Director	2016	to date
	Qilu Securities (Shanghai) Asset Management Co., Ltd.	Chief Economist	2016	to date

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

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

Basis of determining the remuneration of Directors, Supervisors and senior management	Remuneration of our Directors and Supervisors (non-employee Supervisors) is determined by reference to factors including operating results of the Company, their functions and duties, performance and market environment. Remuneration of our independent non-executive Directors is determined based on the average level of our listed competitors in the industry. Our non-executive Directors and external Supervisors do not receive any remuneration from the Company. Remuneration of our internal Directors, employee Supervisors and senior management is determined based on the remuneration and assessment system of the Company and according to their positions and duties and the progress of achieving annual targets. Under the existing legal framework, the Company has a bonus scheme based on performance. The Board will offer and distribute bonus based on the Company's operating results in accordance with the established policy.
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 RMB 49,066.3 thousand. (The total remuneration does not include the remunerations of Hiroki Miyazato, deputy general manager of the Company, received from Haitong Bank; the remunerations of Li Jianguo and Lin Yong, both assistant to General Manager of the Company, received from Haitong International Holdings Limited and Haitong International Securities Group Limited, nor the remunerations of Zhang Xiangyang, assistant to General Manager of the Company, received from Haitong Capital Investment Co., Ltd.)

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

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

Name	Position	Particulars of changes	Reasons of Change
Wang Kaiguo	Chairman of Board, executive Director, legal representative, authorized representative of the Hong Kong Stock Exchange	Resignation	Career development reason
Xu Chao	Non-executive Director	Resignation	Work arrangement
Lyu Changjiang	Independent non-executive Director	Resignation	Career development reason
Zhou Jie	Chairman of Board, executive Director, legal representative, authorized representative of the Hong Kong Stock Exchange	Appointment	
Xu Jianguo	Non-executive Director	Appointment	
Zhang Ming	Independent non-executive Director	Appointment	
Hu Jingwu	Supervisor	Resignation	Age reason
Song Chunfeng	Supervisor	Election	
Xu Qi	Supervisor	Resignation	Work arrangement
Li Xunlei	Deputy general manager and chief economist	Resignation	Personal reason
Mao Yuxing	Chief Information Officer	Appointment	

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

On 24 August 2015, the Company received an Investigation Notice (Jin Zheng Diao Cha Zi No.2015011) from CSRC. As the Company was suspected of illegal behavior, including not reviewing and recognizing the client identity by regulation, CSRC decided to initiate investigation proceedings against the Company in accordance with the Securities Law of the People's Republic of China, details of which were set out in the announcement of the Company dated 25 August 2015. On 10 September 2015, the Company received the Prior Notice of Administrative Penalty (Chu Fa Zi No. [2015] No. 73) from the CSRC, details of which were set out in the announcement of the Company dated 11 September 2015.

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

On 28 November 2016, the Company received the Administrative Penalty Decision (No. [2016] No. 127) from the CSRC, details of which were set out in the announcement of the Company dated 28 November 2016.

The Company had completed the rectification in compliance of regulatory requirements for this case, and was fully credited gains generated from this case and fines into profit or loss in 2015. Therefore, the Administrative Penalty Decision has no significant effect on finance in and after 2016. The settlement of this case eliminated uncertainty faced by the Company and is good for future development of Company.

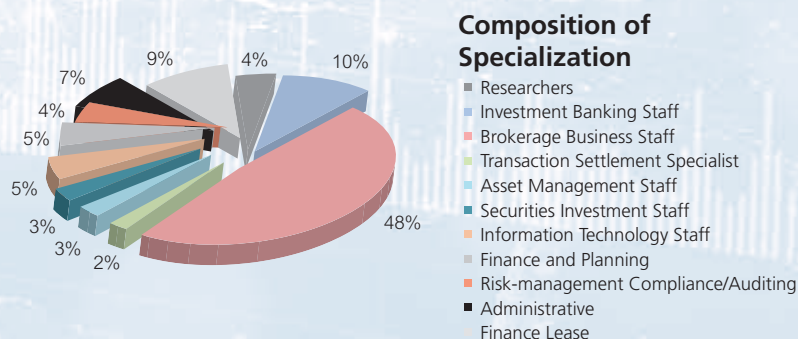
VI. PARTICULARS ABOUT STAFF OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

(I) Particulars about Staff

Number of existing employees of the Company	5,539
Number of existing employees of major subsidiaries	4,261
Total number of existing employees	9,800
Total number of retired workers the Company and its major subsidiaries should bear costs for	26

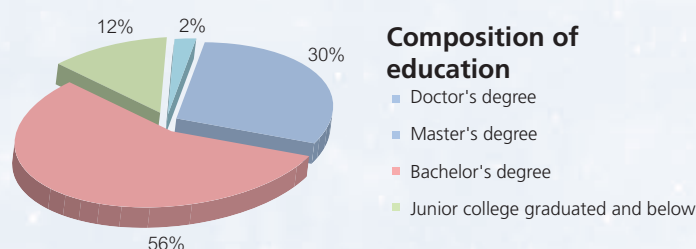
Composition of Specialization

Type of Specialization	Number of Person
Researchers	456
Investment Banking Staff	956
Brokerage Business Staff	4,670
Transaction Settlement Specialist	211
Asset Management Staff	262
Securities Investment Staff	329
Information Technology Staff	500
Finance and Planning	466
Risk-management Compliance/Auditing	375
Administrative	669
Finance Lease	906
Total	9,800



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

Education	
Highest Level of Education Attained	Number of Persons
Doctor's degree	149
Master's degree	2,953
Bachelor's degree	5,512
Junior college graduated and below	1,186
Total	9,800



(II) Remuneration Policy

As at the end of the Reporting Period, the Group had 9,800 employees, of whom 5,539 were from the Company, and 4,261 were from subsidiaries.

The Company emphasizes talent attraction, motivation, training and use, and has established a series of remuneration system which are consistent with the practical situation of the Company. 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 fixed salary, performance-pay, and benefits. Under the relevant laws and regulations, 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. 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.

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

(III) Training Plans

In 2016, the Company focused on enhancing the establishment of the training platform and the integration of internal and external resources. It optimized the resources regarding lecturers and teachers, strengthened training management and improved the training system. Haitong Wealth Management Academy (海通财富管理學院) officially went online in 2016 and was successfully upgraded to 2.0 version during the year, as such, the construction of the system and curriculum was improved. As of 2016, the Company has formulated 15 training management systems in total, developed and procured nearly 1,000 courses, which involve 30 categories and approximately 80 modules. The Company held 168 on-site trainings, online trainings and external trainings with over 10,000 participants.

In 2017, adhering to the work principle of “implementing the Company’s strategies, highlighting the key points of training; emphasizing on appropriate vision based on training needs; enhancing the effectiveness of training through stratified and categorised training management; coordinating training resources to allow the academy to play its role as a vehicle”, the Company will carry out key work in four aspects, namely, system improvement, project implementation, resource pool construction and system planning, by relying on Haitong Wealth Management Academy, so as to ensure the training plans will be centred around the Company’s focus work, fulfill the needs of talents development in the Company and conducive to business development, innovation and transformation.

(IV) Particulars about Labour Outsourcing

Total labor hours involved in labor outsourcing	1,052,000 hours
Total compensation paid for labor outsourcing	RMB 20,356,200

VII. OTHER PARTICULARS

Conditions of Commissioning Brokers Engaging in Soliciting Customers and Servicing Customers

Since the Company has acquired the securities brokerage qualification, the Company has strictly and intensively managed securities brokers in accordance with inspection opinions and internal systems regulated in the Interim Provisions on the Administration of Securities Brokers ([2009] No. 2 CSRC) and On-site Inspection Opinion on Securities Broker System (Hu Zheng Jian Ji Gou Zi [2009] No.302). 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. As at the end of the Reporting Period, the Company has already had 269 securities business departments with 6,824 securities brokers, among which, 6,561 securities brokers have completed registration in Securities Association of China.

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

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 2016, the Company continued to strengthen the compliance training of broker's practice and standardize their occupational.

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 Company Law, the 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 [2016] No. 23) 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 main contents of the amendments are the voting system for the general meeting of the shareholders, etc., and corporate governance structure is further optimized and perfected.

Article A.2.1 of the Code prescribes that (inter alia) that the chairman and the chief executive officer should have separate roles, and the two positions should not be taken to be the same person. On 29 July 2016, Mr. Wang Kaiguo, the chairman of the Company, submitted the resignation report to the Board and tendered his resignation from the office of director, chairman of the Board, legal representative and authorized representative (for the purpose of Rule 3.05 of the Hong Kong Listing Rules) of the Company, as well as the office of chairman of the development strategy and investment management committee of the Board due to career development reason. Upon the resignation of Mr. Wang, he will no longer hold any other position in the Company. As the election of new chairman needs to go through statutory procedures, all directors nominated Mr Qu Qiuping, the Company's Director and general manager, to act as the chairman, legal representative and authorized representative (for the purpose of Rule 3.05 of the Hong Kong Listing Rules) until the new chairman of the Company is elected. At the first extraordinary general meeting held on 23 September 2016, a resolution was passed to appoint Mr Zhou Jie as the Company's executive director. Mr Zhou Jie's qualification as director of a securities company has been approved by the relevant securities regulatory institution on 18 October 2016. On 28 October 2016, the Board endorsed the appointment of Mr Zhou Jie as the chairman of the Company, legal representative and authorized representative (for the purpose of Rule 3.05 of the Hong Kong Listing Rules) of the Company through a resolution. Mr

SECTION IX CORPORATE GOVERNANCE

Qu Qiuping, the Company's Director and general manager shall cease to act as the chairman, legal representative and authorized representative. Except as disclosed above, the Company has complied with all the provisions (if applicable) of the Code and satisfied majority of the recommended best practice provisions therein during the Reporting Period and as at the date of publication of this Report.

During the Reporting Period, the Company convened 28 meetings in total, including two general meetings, six meetings of the Board, four meetings of the Supervisory Committee, two annual report work meetings of independent non-executive Directors, five meetings of the Audit Committee, three meetings of the Nomination, Remuneration and Assessment Committee, four meetings of the Development Strategy and Investment Management Committee and two meetings of the Compliance and Risk Control Committee.

(II) Formulation and Implementation of Insider Management System

During the Reporting Period, in the processes of material matters including the preparation of periodic reports 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

<u>Session of the meeting</u>	<u>Date of the meeting</u>	<u>Query index of the designated website of resolution disclosure</u>	<u>Disclosure date of resolution</u>
annual general meeting of 2015	26 May 2016	http://www.hkexnews.hk	26 May 2016
first extraordinary general meeting of 2016	23 September 2016	http://www.hkexnews.hk	23 September 2016

Briefing of the general meeting:

During the Reporting Period, on 26 May 2016, the Company held 2015 annual general meeting of shareholders in Pine City Hotel in Shanghai, PRC and 17 ordinary resolutions were considered, including: 1. The Report of the Board of Directors of the Company for the Year 2015; 2. The Report of the Supervisory Committee of the Company for the Year 2015; 3. The Annual Report of the Company for the Year 2015; 4. The Financial Accounts Report of the Year 2015; 5. The Profit Distribution Proposal of the Company for the Year 2015; 6. Resolution on the Renewal of Engagement of A Share Auditing Firm and H Share Auditing Firm for the Year 2016; 7. Resolution on Investment Asset Allocation of Equity, Fixed Income Securities and Derivative Products of the Company; 8. Resolution on the Authorization to the Board of Directors to Determine Provision of Guarantees for Subsidiaries of the Company; 9. Resolution on Daily Related Party Transactions of the Company for the Year 2016; 10. Resolution on the Appointment of Mr. Zhang Ming as the Independent Non-executive Director of the Company; 11. Resolution on the Appointment of Mr. Song Chunfeng as the supervisor of the Company; 12. Resolution on Adjustments to Allowances of Directors and Supervisors of the Company; 13. Resolution on General Mandate to Issue Onshore Debt Financing Instruments; 14. Resolution on the Grant of General Mandate to Authorize, Allot or Issue A Shares and/or H shares; 15. Resolution on the Appointment of Mr. Chu, Lawrence Sheng Yu as the Non-executive Director of the Company; 16. Resolution on the Appointment of Ms. Chan, Wah Man Carman as an Independent Non-executive Director of the Company; 17. Resolution on the Amendments to the Articles of Association of the Company. In particular, resolutions numbered 1 to 12, and resolutions numbered 15, 16 were passed as ordinary resolutions; resolutions numbered 13, 14 and 17 were special resolutions, resolutions numbered 13 and 14 were passed, while resolution numbered 17 was not passed. Resolutions numbered 15 and 16 and 17 are inter-conditional, and therefore each of them shall only be deemed as passed upon approval of all of them at the AGM. Given that the resolution numbered 17 was not passed, the voting results of the ordinary resolutions numbered 15 and 16 will not take effect. Relevant resolutions were published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) on the day of the relevant meeting, and published on the the website of the 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 27 May 2016.

On 23 September 2016, the Company held its first extraordinary general meeting of 2016 in Pine City Hotel in Shanghai, PRC. Four special resolutions were considered, including: 1. the Resolution on Appointment of Directors of the Company; 2. the Resolution on the Amendments to the Articles of Association of the Company and Rules of Procedure for Shareholders' General Meetings of the Company; 3. The Resolution on the General Mandate to Issue Offshore Debt Financing Instruments by the Company; 4. the Resolution on the Appointment of Dr. Lam Lee G. as independent non-executive director of the Company, of which the resolutions 1 and 4 are ordinary resolutions and the

SECTION IX CORPORATE GOVERNANCE

resolutions 2 and 3 are special resolution. The resolutions above were all considered and passed by this general meeting. Relevant resolutions were published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) on the day of the relevant meeting, and published on the website of the 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 24 September 2016.

III. PERFORMANCE OF DUTIES OF DIRECTORS

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

Profiles of the Directors as at the date of this Report are set out in Section VIII "Particulars about Directors, Supervisors, Senior Management and Employees – Work Experience of Current Directors, Supervisors, Senior Management". 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.

(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

SECTION IX CORPORATE GOVERNANCE

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	Attendance by proxy	Absence		Attendance at general meetings
Zhou Jie	No	2	1	1	0	0	No	0
Qu Qiuping	No	6	5	1	0	0	No	2
Yu Liping	No	6	5	1	0	0	No	1
Chen Bin	No	6	5	1	0	0	No	1
Xu Jianguo	No	2	1	1	0	0	No	0
Wang Hongxiang	No	6	4	1	1	0	No	1
Zhang Xinmei	No	6	4	1	1	0	No	1
Shen Tiedong	No	6	4	1	1	0	No	1
Liu Cheeming	Yes	6	5	1	0	0	No	2
Xiao Suining	Yes	6	5	1	0	0	No	2
Feng Lun	Yes	6	3	1	2	0	No	0
Li Guangrong	Yes	6	3	1	2	0	No	0
Zhang Ming	Yes	4	3	1	0	0	No	0
Wang Kaiguo (resigned)	No	3	3	0	0	0	No	1
Xu Chao (resigned)	No	3	2	0	1	0	No	1
Lyu Changjiang (resigned)	Yes	2	2	0	0	0	No	0

Description of absence from two consecutive Board meetings

Number of Board meetings convened during the year	6
Including: Number of meetings held onsite	2
Number of meetings held by communication equipment	1
Number of meetings held onsite and by means of communication equipment simultaneously	3

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

SECTION IX CORPORATE GOVERNANCE

During the Reporting Period, the Board convened 6 meetings in total, details of which are as follows:

1. On 30 March 2016, the fifteenth meeting of the sixth session of the Board was held onsite, in which the Company's 2015 Annual Report, 2015 Annual Financial Report, 2015 Annual Plan of Profit Distribution, 2015 Annual Internal Control Evaluation Report, 2015 Annual Compliance Report, Proposal on Reappointment of Certified Public Accountants, Report on Performance of Duties of the Audit Committee in 2015, 2015 Annual Work Report of the Board, 2015 Annual Work Report of the Independent Directors, 2015 Annual Report on Corporate Social Responsibility, Report on Usage of Proceeds of H Shares Issuance of the Company in 2015, the Proposal Regarding Investment Asset Allocation of Equity, Fixed Income Securities and Derivative Products of the Company, the Resolution on the General Mandate to Issue Onshore Debt Financing Instruments, Resolution on the General Mandate to the Board in Approving, Allocating or Issuing A Shares and/or H Shares, the Resolution on Authorization to the Board to Determine Provision of Guarantees for Subsidiaries of the Company, the Resolution on Projected Daily Related Party Transactions of the Company for the Year 2016, the Resolution on the Nomination of Mr. Zhang Ming as Candidate of Independent Non-executive Director, the Resolution on the Allowance Adjustment of Directors and Supervisors of the Company, Resolution on Rewarding the Senior Management of the Company for 2015 Individual Award, Resolution on the Appraisal and Incentive Proposal for the Senior Management of the Company in 2016, the Resolution on Providing Financing Guarantees for Subsidiaries, the Resolution on Capital Increase of the Wholly-owned Subsidiary Shanghai Haitong Resource Management Co., Ltd. by Haitong Futures, the Resolution on Donating General Mandate externally by the Company, the Resolution on Amendments to Administrative Measures on Related Party Transactions of the Company, the Resolution on Amendments to Administrative Measures on Information Disclosure of the Company, the Resolution on Amendments to Working Rules for Audit Committee of the Board of the Company, and Resolution on Convening 2015 Annual General Meeting were considered and passed.
2. On 27 April 2016, the sixteenth 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 2016, and the Resolution on Appointment of Mr. Mao Yuxing as Chief Information Officer of the Company were considered and passed.
3. On 29 July 2016, the seventeenth meeting of the sixth session of the Board was held onsite, in which the Resolution on Nomination of Directors, the Resolution on Recommending Mr. Qu Qiuping to Perform the Duties of Chairman, Legal Representative of the Company and Authorised Representative with respect of Hong Kong Stock Exchange, the Resolution on the Amendments to the Articles of Association and Rules of Procedure for Shareholders' General Meetings, the Resolution on the General Mandate to Issue Offshore Debt Financing Instruments, the Resolution on the Acquisition of Yanjing Project Land in Gold Bund, and Resolution on Convening the First Extraordinary General Meeting of 2016 were considered and passed.

SECTION IX CORPORATE GOVERNANCE

4. On 29 August 2016, the eighteenth meeting of the sixth session of the Board was held by a combination of onsite meeting and communication equipment, in which the Company's 2016 Interim Report, 2016 Interim Compliance Report, Resolution on Formulation of Internal Management System on the Delay and Immunities Matters of Information Disclosure, Resolution on the Adjustment of Risk Indicators, the Resolution on the General Mandate of SPV Equity Investment for the PPP Project of Haitong UT, the Resolution on the Establishment of Financial Leasing Company Jointly by Haitong UT and Guizhou Guian Financial Investment Co., Ltd. (貴州貴安金融投資有限公司), the Resolution on Providing Loan Guarantee to Haitong Bank, S.A. by HTIH, the Resolution on the Sale of an Indian Subsidiary by Haitong Bank, S.A., the Resolution on Providing Additional Net Capital Commitment and Increasing Registered Capital to HT Asset Management, and the Resolution on the General Mandate to the Guarantee Matters among Holding Subsidiaries of the Company were considered and passed.
5. On 28 October 2016, the nineteenth meeting of the sixth session of the Board was held by a combination of onsite meeting and communication equipment, in which the Resolution on Electing Mr. Zhou Jie as the Chairman of the Sixth Session of the Board, the Resolution on Electing Mr. Zhou Jie as the Chairman of the Development Strategy and Investment Management Committee and the Adjustment of Committee Members, the Resolution on Electing Mr. Liu Cheeming as the Chairman of the Nomination, Remuneration and Assessment Committee of the Sixth Session of the Board and the Adjustment of Committee Members, Resolution on the Adjustment of Members of Audit Committee, the Third Quarterly Report for the Year 2016 of the Company, Resolution on Capital Increase for Haitong UT, the Resolution on Capital Increase for Haitong Xinchuang Investment Management Co., Ltd. by Haitong Capital, Resolution on Capital Increase for HFT Investment Management Co., Ltd., the Resolution on Capital Increase for Shanghai Fucheng HFT Asset Management Co., Ltd. (上海富誠海富通資產管理有限公司) by HFT, and the Resolution on the Acquisition of Office Occupancy by Zhejiang Branch were considered and passed.
6. On 2 December 2016, the twentieth meeting (extraordinary meeting) of the sixth session of the Board was held by communication equipment in which the Resolution on the Acquisition of Unit 3006-3008 of Haitong Securities Building was considered and passed.

(II) Independent Directors' Objections to Relevant Matters of the Company

During the Reporting Period, independent 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 Directors at general meetings, Board meetings and meetings of special committees. 2016 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 30 March 2017 sets out the details of the performance of duties of independent non-executive Directors.

SECTION IX CORPORATE GOVERNANCE

(III) Others

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.

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 (resigned on 29 July 2016) and Mr. Zhou Jie (being appointed on 28 October 2016) serves as the Chairman (during the period after the resignation of Mr. Wang Kaiguo as the chairman of the Board and before Mr. Zhou Jie serving as the chairman of the Board, our executive director and general manager Mr. Qu Qiuping performed the duties of 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 (resigned on 29 July 2016) and Mr. Zhou Jie (being appointed on 28 October 2016) are 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. The Chairman 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.

SECTION IX CORPORATE GOVERNANCE

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.

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

SECTION IX CORPORATE GOVERNANCE

improve Directors' duty performance capability. Apart from that, trainings for Directors are specified as follows:

Name of Director	Date	Duration	Organizer	Contents	Place
Zhou Jie	20 October 2016	/	Haitong Securities Co., Ltd.	Interpretation of Administrative Measures for Risk Control Indicators of Securities Companies	/
	28 October 2016	1 hour	Haitong Securities Co., Ltd.	Engaging Clifford Chance LLP to conduct special training on the compliance of directors and supervisors	Shanghai
Qu Qiuping	27 April 2016	/	Haitong Securities Co., Ltd.	Training on "B2V Reform"	Shanghai
	20 October 2016	/	Haitong Securities Co., Ltd.	Interpretation of Administrative Measures for Risk Control Indicators of Securities Companies	/
	28 October 2016	1 hour	Haitong Securities Co., Ltd.	Engaging Clifford Chance LLP to conduct special training on the compliance of directors and supervisors	Shanghai
Yu Liping	27 April 2016	/	Haitong Securities Co., Ltd.	Training on "B2V Reform"	Shanghai
	20 October 2016	/	Haitong Securities Co., Ltd.	Interpretation of Administrative Measures for Risk Control Indicators of Securities Companies	/
	28 October 2016	1 hour	Haitong Securities Co., Ltd.	Engaging Clifford Chance LLP to conduct special training on the compliance of directors and supervisors	Shanghai
Chen Bin	27 April 2016	/	Haitong Securities Co., Ltd.	Training on "B2V Reform"	Shanghai
	20 October 2016	/	Haitong Securities Co., Ltd.	Interpretation of Administrative Measures for Risk Control Indicators of Securities Companies	/
	28 October 2016	1 hour	Haitong Securities Co., Ltd.	Engaging Clifford Chance LLP to conduct special training on the compliance of directors and supervisors	Shanghai
Xu Jianguo	20 October 2016	/	Haitong Securities Co., Ltd.	Interpretation of Administrative Measures for Risk Control Indicators of Securities Companies	/
	28 October 2016	1 hour	Haitong Securities Co., Ltd.	Engaging Clifford Chance LLP to conduct special training on the compliance of directors and supervisors	Shanghai

SECTION IX CORPORATE GOVERNANCE

Name of Director	Date	Duration	Organizer	Contents	Place
Wang Hongxiang	27 April 2016	/	Haitong Securities Co., Ltd.	Training on "B2V Reform"	Shanghai
	12 May 2016- 13 May 2016	2 days	The Listed Companies Association	Training on directors and supervisors	Shanghai
	20 October 2016	/	Haitong Securities Co., Ltd.	Interpretation of Administrative Measures for Risk Control Indicators of Securities Companies	/
	28 October 2016	1 hour	Haitong Securities Co., Ltd.	Engaging Clifford Chance LLP to conduct special training on the compliance of directors and supervisors	Shanghai
Shen Tiedong	27 April 2016	/	Haitong Securities Co., Ltd.	Training on "B2V Reform"	Shanghai
	20 October 2016	/	Haitong Securities Co., Ltd.	Interpretation of Administrative Measures for Risk Control Indicators of Securities Companies	/
	28 October 2016	1 hour	Haitong Securities Co., Ltd.	Engaging Clifford Chance LLP to conduct special training on the compliance of directors and supervisors	Shanghai
Zhang Xinmei	27 April 2016	/	Haitong Securities Co., Ltd.	Training on "B2V Reform"	Shanghai
	23 August 2016- 25 August 2016	3 days	Shanghai National Accounting Institute	Continuing education for senior accountant	Shanghai
	18 October 2016- 19 October 2016	2 days	China Insurance Regulatory Commission	Training on directors and supervisors of insurance institute	Beijing
	20 October 2016	/	Haitong Securities Co., Ltd.	Interpretation of Administrative Measures for Risk Control Indicators of Securities Companies	/
	28 October 2016	1 hour	Haitong Securities Co., Ltd.	Engaging Clifford Chance LLP to conduct special training on the compliance of directors and supervisors	Shanghai
Liu Cheeming	22 April 2016- 23 April 2016	18 hours	SFC	SFC Panel Meeting	/
	27 April 2016	/	Haitong Securities Co., Ltd.	Training on "B2V Reform"	Shanghai
	12 May 2016- 13 May 2016	2 days	The Listed Companies Association	Training on directors and supervisors	Shanghai
	13 September 2016- 14 September 2016	7 hours	KPMG	Sustainability Reporting and Corporate Governance Workshop	/
	20 October 2016	/	Haitong Securities Co., Ltd.	Interpretation of Administrative Measures for Risk Control Indicators of Securities Companies	/
	28 October 2016	1 hour	Haitong Securities Co., Ltd.	Engaging Clifford Chance LLP to conduct special training on the compliance of directors and supervisors	Shanghai

SECTION IX CORPORATE GOVERNANCE

Name of Director	Date	Duration	Organizer	Contents	Place
Xiao Suining	27 April 2016	/	Haitong Securities Co., Ltd.	Training on "B2V Reform"	Shanghai
	20 October 2016	/	Haitong Securities Co., Ltd.	Interpretation of Administrative Measures for Risk Control Indicators of Securities Companies	/
	28 October 2016	1 hour	Haitong Securities Co., Ltd.	Engaging Clifford Chance LLP to conduct special training on the compliance of directors and supervisors	Shanghai
Feng Lun	27 April 2016	/	Haitong Securities Co., Ltd.	Training on "B2V Reform"	Shanghai
	20 October 2016	/	Haitong Securities Co., Ltd.	Interpretation of Administrative Measures for Risk Control Indicators of Securities Companies	/
Li Guangrong	27 April 2016	/	Haitong Securities Co., Ltd.	Training on "B2V Reform"	Shanghai
	20 October 2016	/	Haitong Securities Co., Ltd.	Interpretation of Administrative Measures for Risk Control Indicators of Securities Companies	/
Zhang Ming	20 October 2016	/	Haitong Securities Co., Ltd.	Interpretation of Administrative Measures for Risk Control Indicators of Securities Companies	/
	28 October 2016	1 hour	Haitong Securities Co., Ltd.	Engaging Clifford Chance LLP to conduct special training on the compliance of directors and supervisors	Shanghai
Wang Kaiguo (resigned)	27 April 2016	/	Haitong Securities Co., Ltd.	Training on "B2V Reform"	Shanghai
Xu Chao (resigned)	27 April 2016	/	Haitong Securities Co., Ltd.	Training on "B2V Reform"	Shanghai
Lyu Changjiang (resigned)	27 April 2016	/	Haitong Securities Co., Ltd.	Training on "B2V Reform"	Shanghai

IV. DETAILS OF ANY OBJECTION MATTERS IN SIGNIFICANT OPINIONS AND SUGGESTIONS PROPOSED BY THE SPECIAL COMMITTEES UNDER THE BOARD WHEN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD SHOULD BE DISCLOSED

(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) Zhou Jie (Chairman), Liu Cheeming, Xiao Suining, Li Guangrong (resigned, will perform his duty until the qualification for Mr. Lam Lee G. as an independent non-executive director is approved by supervision department), Yu Liping, Chen Bin, (Xu Chao) Xu Jianguo, and Lam Lee G. (yet to take office)

SECTION IX CORPORATE GOVERNANCE

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) Liu Cheeming (chairman), Xiao Suining, (Lyu Changjiang) Zhang Ming, Yu Liping, Wang Hongxiang, Shen Tiedong, and Lam Lee G. (yet to take office)
4. Audit Committee: (Lyu Changjiang) Zhang Ming (chairman), Liu Cheeming, Li Guangrong (resigned, but shall take the office until the independent non-executive director qualification of Mr. Lam Lee G. approved by regulatory authorities), Feng Lun, Zhang Xinmei, (Xu Chao) Xu Jianguo, Wang Hongxiang, and Lam Lee G. (yet to take office)

Note: Reference is made to the announcement of the Company dated 11 December 2015, in which Mr. Lyu Changjiang tendered his resignation from the chairman of the Audit Committee and the member of the Nomination, Remuneration and Assessment Committee due to career development reason. 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 and the independent non-executive director qualification approved by securities regulatory authorities. On 30 March 2016, the Resolution on the Nomination of Mr. Zhang Ming as Candidate of Independent non-executive Director was considered and approved at the fifteenth meeting of the sixth session of the Board. Mr. Zhang Ming was nominated to act as independent non-executive director of the sixth session of the Board, and his term of office will be the same as the sixth session of the Board. Once his qualification as independent non-executive director takes effect, he will take over the duties as the chairman of the Audit Committee and the member of the Nomination, Remuneration and Assessment Committee. Such proposal was considered and approved at 2015 annual general meeting held on 26 May 2016. Reference is made to the announcement of the Company dated 20 June 2016, and the qualification of Mr. Zhang Ming was approved by securities regulatory authorities on 12 June 2016. On the same day, Mr. Zhang Ming started to perform the duties as independent non-executive director, chairman of the Audit Committee and the member of the Nomination, Remuneration and Assessment Committee.

On 29 July 2016, the Resolution on Nomination of Directors was considered and approved at the seventeenth meeting (extraordinary meeting) of the sixth session of the Board. Chairman Mr. Wang Kaiguo submitted resignation report to the Board, requesting to resign from the office of chairman of the Development Strategy and Investment Management Committee due to career development reason. Mr. Xu Chao, resigned as a non-executive Director and member of the Development Strategy and Investment Management Committee and member of the Audit Committee due to change of job. The Board approved to nominate Mr. Xu Jianguo as the candidate of the sixth session of the Board, and his term of office will be the same as the sixth session of the Board. After his qualification as Director takes effect, Mr. Xu Jianguo will take over the duties as the member of the Development Strategy and Investment Management Committee and the member of Audit Committee. The Resolution was considered and approved at the first extraordinary general meeting of 2016 held on 23 September 2016. Reference is made to the announcement of the Company dated 18 October 2016, the qualification of Mr. Xu Jianguo as director of securities company has been approved (please refer to the Reply of Approval on Qualification of Xu Jianguo as Director of Securities Company (Hu Zheng Jian Xu Ke [2016] No. 118)). Mr. Xu Jianguo will perform his duty as non-executive director since 18 October 2016 and as the member of the Development Strategy and Investment Management Committee and the member of Audit Committee. On 28 October 2016, the Resolution on Electing Mr. Zhou Jie As the Chairman and Adjustment of Members of the Development Strategy and Investment Management Committee on the sixth session of the Board was considered and approved at the nineteenth meeting of the sixth session of the Board, Mr. Zhou Jie was approved as the Chairman of the Development Strategy and Investment Management Committee of the Board.

SECTION IX CORPORATE GOVERNANCE

Reference is made to the announcement of the Company dated 31 August 2016, in which Mr. Li Guangrong tendered his resignation from the chairman of the Nomination, Remuneration and Assessment Committee, member of the Development Strategy and Investment Management Committee and Audit Committee due to career development reason. After resignation, he would no longer hold any other position in the Company. The resignation of Mr. Li Guangrong will take effect upon the appointment of a new independent non-executive director being approved at the general meeting of the Company and the independent non-executive director qualification approved by securities regulatory authorities. On 23 September 2016, the Resolution on the Appointment of Mr. Lam Lee G. as Independent non-executive Director of the Company was considered and approved in first extraordinary general meeting of 2016, the Board approved Mr. Lam Lee G. as the independent non-executive director of the Company, and his term of office will be the same as the sixth session of the Board and his qualification as the independent non-executive director of the Company will not take effect until the approval of regulatory authorities. Mr. Li Guangrong will continue to perform his duties before taking effect. On 28 October 2016, the Resolution on Electing Mr. Liu Cheeming As the Chairman and Adjustment of Members of the Nomination, Remuneration and Assessment Committee on the sixth session of the Board was considered and approved at the nineteenth meeting of the sixth session of the Board, the independent non-executive director Mr. Liu Cheeming take the office of Mr. Li Guangrong as the chairman of the Nomination, Remuneration and Assessment Committee and Mr. Lam Lee G. was elected as a new member of the Committee. The Resolution on Electing Mr. Zhou Jie as the Chairman and Adjustment of Members of the Development Strategy and Investment Management Committee of the sixth session of the Board and the Resolution on Adjusting Members of Audit Committee was considered and approved. The members of Development Strategy and Investment Management Committee of the Board and members of Audit Committee were adjusted. Mr. Lam Lee G. takes the office of Mr. Li Guangrong as a new member. The above appointment will take effect upon the independent non-executive director qualification of Mr. Lam Lee G. approved by regulatory authorities. Before this appointment, Mr. Li Guangrong will continue to perform his duties.

(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 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.

SECTION IX CORPORATE GOVERNANCE

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 2016 was convened on 29 March 2016, in which 2015 Annual Internal Control Evaluation Report, 2015 Annual Compliance Report and 2015 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 2016 was convened on 29 August 2016, in which 2016 Interim Compliance Report and 2016 Interim Risk Assessment Report of the Company and the Resolution on Adjusting Risk Benchmark were considered and passed.

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; to discuss risk management and internal control system with the management to ensure that the management has performed its duty to set up effective systems; 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.

SECTION IX CORPORATE GOVERNANCE

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 2016 for the Company. The audit work in 2016 of the Company was arranged under the guidance of the Audit Committee, which ensured the independence of audit and improvement of audit quality to safeguard the overall interest of the Company and its shareholders. The Audit Committee and its members, abiding by relevant laws and regulations, gave full play to the audit and supervision role by conducting work diligently, and served as an important role in improving the corporate governance structure and audit quality. During the Reporting Period, the Audit Committee held five meetings in total, as specified below:

- The first meeting of the Audit Committee of the sixth session of the Board in 2016 was convened on 25 January 2016, and the main contents of the meeting were: learning from the regulatory authorities on dealing with relevant annual report of 2015 of listing companies, listening to the Chief Financial Officer's brief financial report of 2015 of the Company (parent company), discussing with two certified public accountants to formulate the annual audit work plans, and reviewing the financial statement of 2015 (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 2016 was convened on 29 March 2016, in which Financial Report and Special Report of 2015 of the Company (Audited or Reviewed Draft), Opinions of the Audit Committee on the Certified Public Accountants' Engagement in Audit Work for the Year, Proposal on Reappointment of the Certified Public Accountants, the Resolution on Projected Daily Related Party Transactions of the Company for the Year 2016, Self-evaluation Report on Internal Control of the Company in 2015, the Resolution on the Amendments to the "Terms of Reference of the Audit Committee under the Board" and the Report on Performance of Duties of Audit Committee under the Board in 2015 were considered and passed. In this meeting, the committee also listened to the Company's Report on Annual Financial Accounts in 2015 and Annual Financial Budget in 2016 and Report on Preliminary Results of Annual Audit of Certified Public Accountants in 2015, and the list of related persons was also confirmed.
- The third meeting of the Audit Committee of the sixth session of the Board in 2016 convened on 22 April 2016 (by means of telecommunications) considered and approved the First Quarterly Report of 2016 of the Company.

SECTION IX CORPORATE GOVERNANCE

- The fourth meeting of the Audit Committee of the sixth session of the Board in 2016 was convened on 29 August 2016, in which Financial Report for the First Half of 2016 of the Company (A Shares + H Shares) and Statement on Financial Position for the First Half of 2016 of the Company were reviewed, and the list of related persons was also confirmed.
- The fifth meeting of the Audit Committee of the sixth session of the Board in 2016 convened on 27 October 2016 (by means of telecommunications) considered and approved the Third Quarterly Report of 2016 of the Company.

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

Name	Number of actual attendances/number of scheduled attendances
Zhang Ming	2/2
Liu Cheeming	5/5
Li Guangrong	5/5
Feng Lun	5/5
Zhang Xinmei	5/5
Xu Jianguo	1/1
Wang Hongxiang	5/5
Lyu Changjiang (resigned)	3/3
Xu Chao (resigned)	4/4

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.

SECTION IX CORPORATE GOVERNANCE

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

- The first meeting of Development Strategy and Investment Management Committee of the sixth session of the Board in 2016 was convened on 5 April 2016 (by means of telecommunications), in which the Resolution on Investment Asset Allocation of Equity, Fixed Income Securities and Derivative Products, the Resolution Regarding the General Mandate to Issue Onshore Debt Financing Instruments and the Resolution on Capital Increase of the Wholly-owned Subsidiary Shanghai Haitong Resource Management Co., Ltd. by Haitong Futures were considered and passed.
- The second meeting of Development Strategy and Investment Management Committee of the sixth session of the Board in 2016 was convened on 28 July 2016 (by means of telecommunications), in which the Resolution Regarding the General Mandate to Issue Offshore Debt Financing Instruments by the Company and the Resolution on Purchasing the Site of Waitan Yanjing (外灘燕京) were considered and passed.
- The third meeting of Development Strategy and Investment Management Committee of the sixth session of the Board in 2016 was convened on 24 August 2016 (by means of telecommunications), in which the Resolution Regarding the Joint Venture Financing and Leasing Company Between Haitong UT and Guizhou Guian Financial Investment Co., Ltd. (貴州貴安金融投資有限公司) and the Resolution Regarding the Disposal of Subsidiaries in India to Haitong International Securities by Haitong Bank were considered and passed.
- The fourth meeting of Development Strategy and Investment Management Committee of the sixth session of the Board in 2016 was convened on 21 October 2016, in which the Resolution Regarding the Capital Increase for Haitong UT, the Resolution on Capital Contributions to Haitong Xinchuang Investment Management Co., Ltd. by Haitong Capital, the Resolution on Capital Contributions to HFT Investment Management Co., Ltd., the Resolution on Capital Contributions to Shanghai Fucheng HFT Asset Management Co., Ltd. (上海富誠海富通資產管理有限公司) by HFT and the Resolution on Purchasing Office Place for Zhejiang Branch were 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:

Name	Number of actual attendances/number of scheduled attendances
Zhou Jie	0/0
Liu Cheeming	4/4
Xiao Suining	4/4
Li Guangrong	4/4
Yu Liping	4/4
Chen Bin	4/4
Xu Jianguo	1/1
Wang Kaiguo (resigned)	2/2
Xu Chao (resigned)	2/2

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.

SECTION IX CORPORATE GOVERNANCE

To carry out 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 confirms that the composition of the Board satisfies the requirements regarding board diversity in the Hong Kong Listing Rules as well as the policy on board diversity formulated by the Company.

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

- On 29 March 2016, the first meeting of the Nomination, Remuneration and Assessment Committee of the sixth session of the Board in 2016 was convened. The committee listened to the 2015 Report on Business Operation of the Company, considered and passed the Resolution on 2015 Annual Individual Awards for the Management of the Company, the Resolution on Appraisal and Incentive for 2016 Senior Management of the Company, the Resolution on the Nomination of Mr. Zhang Ming as Candidate of Independent Non-executive Director and the Resolution on Adjustment of Allowance of the Directors and Supervisors of the Company.
- On 22 April 2016, the second meeting of the Nomination, Remuneration and Assessment Committee of the sixth session of the Board in 2016 was convened. The committee considered and passed the Resolution on Appointment of Mr. Mao Yuxing as Chief Information Officer of the Company.
- On 28 July 2016, the third meeting of the Nomination, Remuneration and Assessment Committee of the sixth session of the Board in 2016 was convened. The committee considered and passed the Resolution on Nomination of Directors.

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

Name	Number of actual attendances/number of scheduled attendances
Li Guangrong	3/3
Liu Cheeming	3/3
Xiao Suining	3/3
Zhang Ming	1/1
Yu Liping	3/3
Wang Hongxiang	3/3
Shen Tiedong	3/3
Lyu Changjiang (resigned)	2/2

SECTION IX CORPORATE GOVERNANCE

V. EXPLANATION ON DISCOVERY OF COMPANY'S RISK 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 from two consecutive meetings	
		Attendance in person	communication equipment	Attendance by proxy	Absence	
Shou Weiguang	4	4	0	0	0	No
Yang Qingzhong	4	4	0	0	0	No
Qiu Xiaping	4	3	0	1	0	No
Wang Meijuan	4	4	0	0	0	No
Hu Hairong	4	4	0	0	0	No
Song Shihao	4	4	0	0	0	No
Li Lin	4	4	0	0	0	No
Cheng Feng	4	2	0	2	0	No
Feng Huang	4	4	0	0	0	No
Chen Huifeng	4	3	0	1	0	No
Zheng Xiaoyun	4	2	0	2	0	No
Song Chunfeng	2	1	0	1	0	No
Hu Jingwu (resigned)	1	1	0	0	0	No
Xu Qi (resigned)	4	4	0	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 four meetings in total, and the details are as follows:

- On 30 March 2016, the eighth meeting of the sixth session of the Supervisory Committee was convened on site, in which 2015 Annual Report of the Company, 2015 Annual Internal Control Evaluation Report of the Company, 2015 Annual Compliance Report of the Company, 2015 Annual Work Report of the Supervisory Committee of the Company, Performance Rules for the Supervisors of the Company (Trial Implementation) and the Resolution on Change of Supervisor were considered and passed.
- On 27 April 2016, the ninth meeting of the sixth session of the Supervisory Committee was convened on site, in which the First Quarterly Report of 2016 was considered and passed.

SECTION IX CORPORATE GOVERNANCE

3. On 29 August 2016, the tenth meeting of the sixth session of the Supervisory Committee was convened on site, in which 2016 Interim Report of the Company and 2016 Interim Compliance Report of the Company were considered and passed.
4. On 28 October 2016, the Eleventh meeting of the sixth session of the Supervisory Committee was convened on site, in which the Third Quarterly Report for the Year 2016 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 management 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 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.

SECTION IX CORPORATE GOVERNANCE

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

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. 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. During the Reporting Period, the Resolution on Appraisal and Incentive for 2016 Senior Management of the Company was considered and approved at the fifteenth meeting of the sixth session of the Board, to implement what the Measures established “an overall remuneration and performance appraisal system for the senior management, 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”, “a performance-oriented remuneration and performance appraisal system with both long-term and short-term objectives”, in order to ensure the marketization of the remuneration and rewarding system and maintain its competitive advantages in the industry.

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

For details of the self evaluation report on internal control of the Company, please see the 2016 Annual Audit Report on Internal Control of Haitong Securities Co., Ltd. disclosed by the Company on the website of the Shanghai Stock Exchange.

During the Reporting Period, the company had no material defects in terms of internal control.

IX. DESCRIPTION OF AUDIT 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 of internal control of the Company, please see the 2016 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 RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

(1) Statement of the Board

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

SECTION IX CORPORATE GOVERNANCE

Objectives of the Company's risk management and 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 risk management and internal control bears inherent limitations, it can only provide reasonable assurance for achieving the said objectives.

The Board has assessed the risk management and internal control according to the requirements of Basic Standards for Enterprise Internal Control and deemed it valid as at 31 December 2016.

(2) The Setting of Risk Management and Internal Control Institution

The Company has established a scientific and effective risk management and internal control structuring system, which is able to identify, evaluate and manage the major risk of the Group and 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 risk management and internal control system, supervising the overall effective implementation and self-assessment of risk management and internal control. With Audit Committee, the Board will review the effectiveness of risk management and internal control system at least once a year. These committees assist the Board to fulfill its duties of supervision and corporate governance, which covers the finance, operation, compliance, risk management and internal control, as well as the duties of financing resource and internal audit. 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 risk management and internal control by the Board; the Chief Risk Officer is responsible for promoting and coordinating the establishment and implementation of risk management and internal control and enforcing the strategies and policies of the risk management of the Company; the functional management departments, consisting of compliance and legal department, risk management department, 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.

In order to accommodate the requirement for the Company's compliance risk management and upgrade internal control management level, on 24 February 2017, the Board had reviewed and passed the Resolution on Adjustment of Organizational Structure of the Company, according to which the compliance and risk management headquarter had reorganized to two departments consisting of compliance legal department and risk management department. After the adjustment, compliance legal department is responsible for the Company's legal affairs and compliance management affairs so as to organize the execution of various compliance

SECTION IX CORPORATE GOVERNANCE

management work and compliance management work of investment banking business. The risk management department has formulated the policy and system of risk management for the Company, as well as performed its duties of market risk management, credit risk management and operational risk management etc.

(3) Risk Management and Internal Control Systems

The Board is the maker and authorised person of the Company's strategic objectives for risk management. The Board of the Company undertakes the ultimate responsibility for the effectiveness of risk management and internal control system, specifically for the reviewing and approving the overall objective of the Company's risk management and fundamental policies and systems, the overall risk orientation, risk tolerance, material risk limit and solution for material risk, the Company's routine risk evaluation report, appointment, dismissal and examination of Chief Risk Control Executive, as well as pushing forward the construction of risk culture. The Board set up the Compliance and Risk Management Committee to execute the specific risk management duties.

In accordance with the laws, regulations and industry standards, the Company had built up the comprehensive risk management and internal control system that embeds a complete operational administrative system, an improved organization structure, a reliable IT system, a measurable risk indicators system, professional talent pool, effective risk response mechanisms and well-established risk control culture. In facing of liquidity risk, market risk, credit risk and operational risk, the Board, the management and the entire staff would together get involved in identifying the risks precisely, evaluating the risks prudently, conducting dynamic monitoring, responding immediately and managing the whole process of risk control.

The objective of building comprehensive risk management system is to enhance the Company's management and operation in terms of scientific, regulatory and effective manner, so as to strengthen its capability of defending against financial risks and ensure the continuous, stable and healthy development of the Company's various business. It reasonably, but not absolutely guarantees that the material false statement or loss can be prevented, because its purpose is for management, instead of eliminating the risk that affects the achievement of business target.

The comprehensive risk management of the Company abides by the following principles: (1) Comprehensive: the Company's risk management system had involved all levels in organization, including the Board, the management and the entire staff, and they are responsible in the processes of risk identification, measurement, monitoring, reporting, administration and examination. The concept and measures of risk control have been widely acknowledged through all the departments, branches, subsidiaries and business lines. (2) Independent: a system had been established to effectively isolate and balance the front, middle and back office functions, so that the risk management department is able to evaluate and monitor the risk independently. (3) Prudent: the Company must carefully make the judgment on all the sections of risk management and prudently evaluate the risks encountered.

The Company had standardised the procedure of handling and publishing the inside information, in order to ensure the inside information remains confidential until it has been properly disclosed with the approval and ensure the effectiveness and consistency of the published information.

SECTION IX CORPORATE GOVERNANCE

(4) Establishment and Improvement of Risk Management and Internal Control System

During the Reporting Period, the Company kept strengthening its risk management and internal control system, improving its risk management and internal control mechanism, standardizing its business process, and improving its management system 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. The Company had adopted policies and procedures to evaluate and prudently enhance the performance of the Group's risk management and internal control system.

1. Traditional Business Management

In respect of operation control, the Company formulated or revised various measures to improve the relevant systems, such as the Administrative Measures on Branch Network, the Administrative Regulations on the Business Seals (as amended in 2016), the Administrative Measures on Customer Complaints, the Administrative Measures on Licenses of Haitong Securities New Version Transaction Platform of the Shenzhen Stock Exchange (Interim), the Administrative Measures on Witness in Business, the Administrative Measures on Brokerage Business (Trial), the Administrative Measures on Opening Account on Internet (as amended in 2016), the Guidelines for Business Procedures, the Trial Measures on Appropriateness Management, the Administrative Measures on Training Courses System (Trial), the Administrative Measures on Securities Analysts (Revised), the Rules of Procedure for Proprietary Decision Committee, the Business Terms of Offline Investors of IPO, the Administrative Measures on Offering and Underwriting of Investment Banks, the Administrative Measures on the Debt Financing Instrument Book Building Issuance Work, the Administrative Measures on Procurement (as amended in 2016).

In respect of risk management, the Company had formulated and revised 19 administrative measures on security, such as the Approach for Security Education, as well as to improve systems consisting of the Administrative Measures on Cases Compliance Involving Complaints (Revision), the Administrative Measures on Authorization, the Administrative Measures on Access to Market Risk Management System, Terms on Duty Fulfillment of the Supervisory Committee (Trial), the Administrative Measures on Information Disclosure (as amended in 2016), the Administrative Measures on Related Party Transactions (as amended in 2016), the Administrative Measures on Monitoring the Abnormal Transactions by Customers, the Guidelines for Verification of Conflict of Interest in the Security Research Reports Published Overseas (Trial).

In respect of funds management and financial management, the Company formulated various measures to improve the relevant systems, such as the Administrative Measures on Debt Financing (Trial), the Administrative Measures on Approval Authority to Debt Financing (Trial), the Interim Measures on Value-added Tax Invoice Management, the Interim Measures on Certificate of Value-added Tax Deduction Management, the Administrative Measures on Domestic Travel Allowance, the Administrative Measures on Hospitality Expense for Business of Relevant Department, the Administrative Measures on Vehicle Borrowing in Relevant Department, the Administrative Measures on Online Reimbursement System Receipts from Branch Network (Trial).

SECTION IX CORPORATE GOVERNANCE

In respect of information system control, the Company formulated or revised to improve systems such as the Administrative Terms on the Launch of New Project of Application Software System in IT Management Department, the Administrative Measures on Issues Concerning the Operation of Application Software System in IT Management Department, the Governance Principle of Information Technology (2016), the Administrative Measures on the Launch of New Project of Application Software System, the Administrative Measures on Network Access of Computer Devices in Headquarter, the Administrative Measures on Security Examination of Information System, the Administrative Measures on the Security of Media, the Administrative Measures on the Testing Environment in Using, the Administrative Measures on Portable Storage Devices, the Administrative Measures on Information Security in Office Surroundings (Trial).

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.

The Company revised and improved its established innovative business systems according to the relevant regulatory requirements and business development needs. Regarding the financing and securities lending business, the Company revised and improved 19 systems, such as the Administrative Measures on Financing and Securities Lending Business in May 2016, which has revised the business rules and procedures such as the administrative role of financing and securities lending department, the management of the appropriateness of the customer, the management of credit reference checks and credit approval, the management of collaterals and subject securities and risk control. In light of new over-the-counter market business, the Company had progressively formulated or revised and improved 9 systems, such as the Operational Procedure of Business Recommended for Listing on New OTC Market, which has revised the business rules and procedures for listing recommendation, stock issuance, reconstruction of major assets and continuous supervision, further improving the compliance of business and risk management. In addition, the Company revised and improved other innovative business system, mainly including the Rules for the Appropriateness of the Investors for Haitong Securities to Participate in Pricing of Private Placement Products among Institutions and Service System Agency Transaction, the Administrative Measures on Wechat Official Account, the Administrative Measures on System Administrator of Quantitative Trading (Trial) the Administrative Measures on Haitong Securities' Cooperation on Offshore Securities Business, the Rules of Procedure of Audit Committee to Review the Business of Repurchase Trading Collateralized by Stock (as amended in January 2016), the Administrative Measures on the Project of Repurchase Trading Collateralized by Stock, the Interim Measures on the Management System Administrator of Project of Repurchase Trading Collateralized by Stock, the Administrative Measures on Internal Control and Risk Management of Gold

SECTION IX CORPORATE GOVERNANCE

Proprietary Business (as amended in 2016), the Guidelines for Internal Control and Risk Management of Gold Proprietary Business (as amended in 2016), the Administrative Measures on PB Trading System, the Administrative Measures on Administrator of PB Trading System, the Administrative Measures on Over-the-counter Business, the Administrative Measures on Hong Kong Stock Connect Business, the Administrative Measures on Haitong Bank's Cross-border Merger Business Allocation, the Administrative Measures on Haitong Bank's Credit Reference Checks System (PBC).

(5) 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.

During the Reporting Period, the Company formulated or revised and perfected such financial accounting management systems and other internal control systems as the Administrative Measures on the Debt Financing (Trial Implementation), the Administrative Measures on Authority of Debt Financing Approval (Trial Implementation), the Interim Administrative Measures on Value-added Tax Invoice, the Interim Administrative Measures on Value-added Tax Deduction Receipt, the Administrative Measures on Domestic Travel Allowance, the Administrative Measures on Hospitality Expense in Headquarter, the Administrative Measures on Vehicle Usage in Headquarter and the Administrative Measures on Online Reimbursement System Receipts from Branch Network (Trial Implementation), 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.

SECTION IX CORPORATE GOVERNANCE

(6) Operations of Risk Management and Internal Control System

The Company's risk management and internal control system is sound enough to address the risks in business activities, and the Company implements the risk management and 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, conformed 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.

During the reporting period, the Company focused on the important areas and critical sections in the course of business development and improved the list of risk control issues under the Basic Standards for Enterprise Internal Control, to ensure there is no occurrence of defects in system design and blind spot in risk control. Based on the risk control list, the Company organized internal audit and self-assessment of internal control, as well as dealt with the problems and defects discovered in the internal and external examination by listing them out and assigning to specific responsible department for rectification, so as to pass the strictly formulated acceptance standard. Moreover, the Company deepen the depth and expanded the scope of information control to push forward the information system construction. In September 2016, the Company set up a leading group and working group to push forward the science and technology plan, aiming at driving the construction and management of core system, data management platform and compliance and risk management platform.

During the Reporting Period, the Company continued to promote and improve the establishment and operation of its comprehensive risk management and liquidity risk management system. In respect of system building, the Company had preliminary developed administrative model for the concentration level of risk control platform, built the second stage of market risk system, continued to optimize the liquidity risk management information system, which is already able to deliver data day by day. In respect of risk monitor, the Company improved the risk monitor system in accordance with the Administrative Measures on Risk Control Indicator for Securities Company, in which the Company added individual customer credit limit to net assets percentage model, monitored the liquidity risk in the day time every day and risk exposure within 45 days, as well as prepared the daily reporting and summarized reporting on liquidity risk management. In respect of subsidiaries management, the Company established preliminary statement template for summarizing market risks on the Group's level, which covers the parent company of Haitong Securities and major subsidiaries undertaking market risk within the Group.

SECTION IX CORPORATE GOVERNANCE

During the reporting period, in order to enhance the administration of branch offices' license and reporting and filling issues, the Company organized the branches to conduct self-examination of license management, reporting and filling management and monitoring the delivery of statement under relevant regulatory requirements. The Company summarised and analysed the issues and causes found out in self-examination and required the branches to carefully implement rectification.

(7) Internal Supervisions of the Establishment and Implementation of Risk Management and 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 risk management department, which is responsible for guiding the establishment and implementation of risk management and internal control, as the leader of the working group for implementation of risk management and 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 risk management department 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 organized 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.

In respect of risk management and internal control, the Company's Compliance and Risk Management Committee and Audit Committee undertook their supervising responsibility, such as examining the effectiveness of the Company's risk management and internal control system. The internal control self-assessment will be practiced every year in the Company, which covers all the departments and subsidiaries, including the risk management and internal monitoring of finance, operation and compliance. In addition, the audit department would audit the position of risk management and internal monitoring from time to time and evaluate the effectiveness. Besides the internal review and evaluation, the external auditor's work also includes the evaluation of material risk and internal control to determine whether it is employed adequately and effectively.

SECTION IX CORPORATE GOVERNANCE

(8) Defects in Risk Management and 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.

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.

(9) Evaluation of Effectiveness of the Company's Risk Management and Internal Control

The Company self-evaluated the effectiveness of the design and implementation of its risk management and internal control up to 31 December 2016 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 2016 Internal Control Evaluation Report was issued by the Company. The Compliance and Risk Management Committee and Audit Committee from the Board would analyze and evaluate the risk management and internal control system of the Group to determine whether it is employed adequately and effectively. During the Reporting Period, the Company set up risk management and 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 risk management and internal control. From the reporting base date to the date of issuance of internal control evaluation report, there were no material changes in the risk management and 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.

SECTION IX CORPORATE GOVERNANCE

(10) Work Plan of Risk Management and Internal Control in 2017

The risk management and internal control system should be adaptive with the operation scale, business scope, competitiveness and risk level of the Company and timely made adjustment according to the changes of environment. In 2017, the work plan for risk management and internal control mainly includes: continuing to improve comprehensive risk management system, pushing forward the construction of risk management system and deepening the depth and expanding the scope of information based control in accordance with relevant law and rules and regulatory requirements; carrying out daily monitor and information report in accordance with regulatory and the Company's system 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 assessing the implementation of systems to perfect and improve risk control and management strategies in time regarding the existing problems; based on the risk control list, continuing to deal with the issues and defects discovered during the evaluation and implementation process of internal control to strictly carry out the rectification; absorbing new knowledge and new concept concerning internal control management, revising the valuation handbook of internal control and enhancing the effectiveness and outcome of internal control; continuing to promote and educate the standard for internal control, further upgrading the level of internal control and risk management of the Company.

XI. OTHERS

(1) Company secretary

Mr. Huang Zhenghong and Ms. Wong Wai Ling are the joint company secretaries of the Company. 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 2016.

(2) 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.

SECTION IX CORPORATE GOVERNANCE

(3) Internal control

For details of the audit report on internal control of the Company, please see the 2016 Annual Audit Report on Internal Control of Haitong Securities Co., Ltd. disclosed by the Company on the website of the Shanghai Stock Exchange.

(4) 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 2016 of the Group.

The Board is responsible for the clear and fair assessment report for annual reports, interim reports, price-sensitive information and other disclosures according to the 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.

(5) Communications with shareholders

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

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

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

SECTION IX CORPORATE GOVERNANCE

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

The Board will be arranged to attend the Company's 2016 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).

(6) 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 2016, the general manager of the Company Mr. Qu Qiuping led 2015 annual and 2016 semi-annual report Hong Kong institute investors road show and visited 60 institutes. In 2016, the Company received 36 surveys and visits from domestic and foreign institutions and analysts. In addition, the Company received around 250 investors, participated in 7 exchange sessions with securities companies, arranged press conferences on 2015 annual report and 2016 interim report, in which 173 institutes attended, joined the Listed Companies Association of Shanghai and the theme activities of "2016 Listed Companies Investors Reception Day in Shanghai" held by Shanghai Stock Exchange.

(7) Other reporting issues

During the Reporting Period, the Company made one amendment to the Articles of Association. The amendment was passed by the seventeenth meeting of the sixth session of the Board on 29 July 2016, and the first extraordinary general meeting of 2016 held on 23 September 2016. For the detail contents please refer to the Company's announcements dated 29 July 2016 and 23 September 2016.

SECTION X CORPORATE BONDS

I. BASIC INFORMATION OF CORPORATE BONDS

On 26 March 2013, the Resolution on Issuance of Corporate Bonds and the Resolution on the General Mandate to Issue Corporate Bonds were considered and passed at the sixteenth meeting of the fifth session of the Board. The resolutions were considered and passed at the 2012 annual general meeting of the Company held on 27 May 2013, and the Chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of corporate bonds. Relevant resolutions were published on China Securities Journal, Shanghai Securities News, Securities Times and the website of Shanghai Stock Exchange (<http://www.sse.com.cn>) on 27 March 2013 and 28 May 2013, respectively. According to the approval issued by CSRC (Zheng Jian Xu Ke [2013] No.1220), the Company was approved to publicly issue corporate bonds with an aggregate nominal amount not exceeding 23.0 billion, based on the resolutions and regulatory approvals, the Company publicly issued two tranches of corporate bonds.

Unit: 100 Million Currency: RMB

Name of Bond	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate	Method to		Venue of trading
							repay principal and pay interest		
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

All above are outstanding corporate bonds issued publicly and the total balance of bonds is RMB 15.74 billion.

PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL OF CORPORATE BONDS

The two tranches of corporate bonds issued publicly carry 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 the bonds shall be handled via the registration institutions and relevant institutions.

SECTION X CORPORATE BONDS

1. *Repayment plan for 2013 Corporate Bonds (Tranche 1) and repayment during the Reporting Period*

During the Reporting Period, the balance of this tranche of bonds was RMB 4.74 billion, among which 13 Haitong 01 repaid principal and interest and was delisted on maturity date of 25 November 2016. For details, please refer to the announcement (No. Lin 2016-049) published on the website of the Shanghai Stock Exchange; interests of 13 Haitong 02 and 13 Haitong 03 were paid on 25 November 2016 in a timely manner. For details, please refer to the announcement (No. Lin 2016-051) 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*

During the Reporting Period, the balance of this tranche of bonds was RMB 11 billion, and the interests of all three types were paid on 14 July 2016 in a timely manner. For details, please refer to the announcement (No. Lin 2016-027) published on the website of the Shanghai Stock Exchange.

Further Description of Corporate Bonds

The Resolution on the General Mandate to Issue Onshore Debt Financing Instruments was considered and passed at the fifteenth meeting of the sixth session of the Board on 30 March 2016 and shareholders' meeting of 2015 on 26 May 2016. It was resolved that the Company may issue debt financing instruments on a one-off or multiple issuances or multi-tranche issuances domestically through public or non-public offerings, including but not limited to short-term financing bills of securities companies, corporate bonds, short-term corporate bonds, asset backed securities (term notes), income certificate, subordinated bonds, subordinated debt and other onshore debt financing instruments (excluding the inter-bank lending and bond repurchase for daily liquidity operating) that the company may issue in accordance with the examination and approval or recording of CSRC, Securities Association of China and other related departments with relevant rules.

SECTION X CORPORATE BONDS

The company's subsisting or issuing other bonds and debt financing instruments during the Reporting Period are represented in the following table:

1. Subordinated Bonds

Unit: RMB 100 million Currency: RMB

Name of bonds	Abbreviation	Code	Term	Date of issuance	Maturity date	Balance of bonds	Interest rate	Method to repay		Venue of trading
								principal and	pay interest	
2015 subordinated debt (Tranche 1)	15 Haitong C1	123212	5 years (3+2)	2015/04/08	Option of redemption	150	5.50%	Simple annualised interest rate		Shanghai Stock Exchange
2015 subordinated debt (Tranche 2)	15 Haitong C2	125994	3 years (2+1)	2015/06/12	Option of redemption	150	5.30%	Simple annualised interest rate		Shanghai Stock Exchange
2015 subordinated debt (Tranche 2)	15 Haitong C3	125993	5 years (3+2)	2015/06/12	Option of redemption	50	5.38%	Simple annualised interest rate		Shanghai Stock Exchange
2016 subordinated debt (Tranche 1)	16 Haitong C1	145179	3 years	2016/11/17	2019/11/17	40	3.30%	Simple annualised interest rate		Shanghai Stock Exchange
2016 subordinated debt (Tranche 1)	16 Haitong C2	145179	5 years	2016/11/17	2021/11/17	20	3.40%	Simple annualised interest rate		Shanghai Stock Exchange

The sum of balance of outstanding subordinated debt was RMB 41,000 million.

(1) Necessary caption about 2015 subordinated debt:

15 Haitong C1 (Tranche 1) has a maturity of five years with issuer's right of redemption at the end of the third year. 15 Haitong C2 (Tranche 2) has a maturity of three years with issuer's right of redemption at the end of the second year.; 15 Haitong C3 has a maturity of five years with issuer's right of redemption at the end of the third year. The bonds with "issuer's right of redemption", the issuer has the right to issue the Announcement in the place of information disclosure in accordance with rules of the authority in charge regarding whether option of redemption of this tranche of bonds will be exercised or not on the 30th trade date before the payment date of interest in the third interest accrual year of this tranche of bonds with issuer's right of redemption. Investors please pay attention to the situation illustrated above.

(2) Necessary caption about 2016 subordinated debt:

At the beginning of November 2016, the Company received No Objection Letter to Haitong Securities Co., Ltd. on the Listing and Transfer of 2016 Subordinated Bonds (Shang Zheng Han [2016] No.2080) from Shanghai Stock Exchange (No. Lin 2016-048). On 18 November 2016, 2016 subordinated bonds (Tranche 1) of private placement were issued successfully. For the result of the issuance, please refer to the announcement (No. Lin 2016-052) published on the website of the Shanghai Stock Exchange.

SECTION X CORPORATE BONDS

2. Non-public issuance of corporate bonds

Unit: RMB 100 million Currency: RMB

Name of bonds	Abbreviation	Code	Term	Date of issuance	Maturity date	Balance of bonds	Interest rate	Method to repay		Venue of trading
								principal and	pay interest	
2016 corporate bond (Tranche 1)	16 Haitong 01	135484	4 years (3+1)	2016/05/18	Option of redemption	150	3.60%	Simple annualised interest rate		Shanghai Stock Exchange
2016 corporate bond (Tranche 1)	16 Haitong 02	135485	5 years	2016/05/18	2021/05/18	50	3.80%	Simple annualised interest rate		Shanghai Stock Exchange

The balance of outstanding non-public issuance of corporate bonds was RMB 20,000 million.

At the beginning of May 2016, the company received No Objection Letter to Haitong Securities Co., Ltd. on the Listing and Transfer of Non-public Issuance of Corporate Bonds (Shang Zheng Han [2016] No.886). On 18 May 2016, 2016 non-public issuance of corporate bonds (Tranche 1) were issued successfully. For the result of the issuance, please refer to the announcement (No. Lin 2016-017) published on the website of the Shanghai Stock Exchange.

3. Short-term corporate bonds

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, CSRC issuing 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), and Shanghai Stock Exchange issuing the Notice on Acceptance of the Filings of Issue of Short-term Corporate Bonds by Securities Companies (Shang Zheng Duan Zhai [2014] No. 4). As approved by proposals and regulatory requirements, the company issued 2014 short-term corporate bonds (Tranche 3) on 13 May 2015. The abbreviation and code of the bonds were 14 Haitong D3 and 135025, respectively, and the amount of issuance was RMB8 billion with an interest rate of 5% and a term of one year.

4. Short-term financing bills

In accordance with Supervision Opinion Letter of the Application for the Issuance of Short-term Financing Bills by Haitong Securities Co., Ltd. (Department of Fund and Intermediary Supervision Han [2014] No.1551) issued by the CSRC and the Notice in Relation to the Issuance of Short-term Financing Bills of Haitong Securities Co., Ltd. (Yin Fa [2015] No.77) issued by the People's Bank of China, Haitong Securities Co., Ltd. issued short-term financing bills (Tranche 1) of the year of 2016 on 9 March 2016 with an term of 90 days, and the amount of the issuance was RMB2 billion along with an coupon rate of 2.45%. For the result of the issuance, please refer to the announcement (No. Lin 2016-003) published on the website of the Shanghai Stock Exchange.

SECTION X CORPORATE BONDS

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	Song Yilan, Chang Wei
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

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 RMB 12.0 billion 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 RMB 4.74 billion.

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 RMB 11.0 billion 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.

SECTION X CORPORATE BONDS

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 RMB 11.0 billion.

IV. INFORMATION ON THE RATING OF CORPORATE BONDS

The credit-rating agency of corporate bonds is China Chengxin Securities Ratings Co., Ltd. (中誠信證券評估有限公司) (hereinafter referred to as “CCXR”) which is a wholly-owned subsidiary of China Chengxin Credit Management Co., Ltd., established in August 1997 with its place of incorporation in Shanghai and head office in Beijing. CCXR 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.

Business qualifications of CCXR include: corporate bond rating qualifications (Zheng Jian Ji Gou Zi [2007] No. 223) approved by CSRC; Stock Market Credit Rating Business License (ZPJ001) issued by CSRC.

On 30 April 2016, the company announced CCXR’s periodical follow-up ratings on the two tranches of corporate bonds (Xin Ping Wei Han Zi [2016] Gen Zong No. 045 and No. 048) on the website of the Shanghai Stock Exchange, respectively. According to the report, the credit rating of Haitong’s two tranches of corporate bonds (Tranche 1 and 2) in 2013 were maintained at AAA. There were no issues requiring random follow-up ratings during the Reporting Period. In addition, CCXR conducted a new corporate rating on the Company (Xin Ping Wei Han Zi [2016] No. G215) due to the Company’s issuance of 2016 non-public corporate bonds (Tranche 1) during the Reporting Period. The corporate rating remained at AAA.

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 2016 annual report and will be disclosed by the Company on the website of the Stock Exchange in due course.

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

There were no credit enhancement mechanisms and no change in repayment plan and other repayment supporting measures.

SECTION X CORPORATE BONDS

1. Repayment plan

The Company will perform the obligation of annual payment of interest and repayment of principal and payment of interest on maturity for each tranche of corporate bonds in a timely manner. The Company has a sound repayment capability, and repayment capital will be mainly derived from daily accumulation of profits, cash flow from operation activities, further liabilities and share capital financing activities. Revenue streams and accumulation of profits of the Company assured of the ability of principal repayment and interest payment on time in a large extent.

2. Other relevant information

During the Reporting Period, The Company further enhanced its assets and liabilities management, liquidity management and management of use of proceeds from issuance according to its debt structure, assured funds shall be dispatched as scheduled and prepared funds to use for interest payments and payment of principal upon maturity timely and adequately, in order to fully protect investors' interests. The Company maintained sound revenue streams, accumulation of profits and external facilities as well as current assets which can easily be realized. All these factors that served as a strong guarantee for the Company's timely repayment of principal and payment of interest remained unchanged, which was consistent with the descriptions in the prospectus. No dedicated repayment account was required to be established for both two tranches of corporate bonds issued by the Company to the public in accordance with then laws and policies.

As for the implementation of other repayment supporting measures, the Company, in strict compliance with the relevant rules of procedure for the bondholders' meeting, organized 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.

VI. MEETINGS CONVENED FOR HOLDERS OF CORPORATE BONDS

During the Reporting Period, no bondholders' meetings were convened by the Company.

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

As the Bond Trustee of the Company, CITIC Securities Company Limited had no conflict of interest in the course of performing its duties, conducted an ongoing track and supervision of the performance of the obligations agreed in the prospectus in connection with the issuance and agreements by the Company and focused on the credit status, inside and outside credit enhancement mechanisms and implementation of repayment supporting measures of the Company on an ongoing basis. The report of entrusted managers for 2015 in respect of two tranches of 2013 Corporate Bonds of the Company was issued by the bond trustee on 28 April 2016, and was published by the Company on the website of Shanghai Stock Exchange on 30 April 2016.

It is expected and the investors are hereby advised that the corresponding report of bond trustee for 2016 will be completed within one month upon publication of the Company's 2016 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: Yuan Currency: RMB

Key indicators	2016	2015	Movement for the period as compared to last corresponding period (%)	Reasons for changes
EBITDA	23,536,376,402.89	34,540,965,190.90	-31.86	Mainly due to decrease in profit
Liquidity ratio	1.67	1.60	4.52	/
Quick ratio	1.67	1.60	4.52	/
Gearing ratio	73.30%	73.87%	-0.76	/
EBITDA to total debts ratio	0.07	0.10	-32.75	Mainly due to decrease in profit
Interest coverage multiple	1.93	2.61	-26.02	/
Cash interest coverage multiple	-2.83	2.72	-203.70	Mainly due to increase in cash outflow for operating activities
EBITDA interest coverage multiple	1.96	2.63	-25.46	/
Loan repayment ratio	100%	100%	/	/
Interest payment ratio	100%	100%	/	/

Notes: Liquidity ratio = (Bank and cash balance + Clearing settlement funds + Placement to banks and other financial institutions + Margin loan + Financial assets at fair value through profit or loss + 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 at fair value through profit or loss + 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 at fair value through profit or loss + 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 at fair value through profit or loss + Derivative financial liabilities + Financial assets sold under repurchase agreements + Payroll payable + Taxes payable + Interest payables + Short-term financing bills payables + Accounts payable)

SECTION X CORPORATE BONDS

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

1. Subordinated Bonds

During the Reporting Period, the Company paid the interest of its 2015 Subordinated Bonds (Tranche 1 and 2) in a timely manner, the particulars of which are set out in the published on the website of the Shanghai Stock Exchange (Announcement No.: Lin 2016-008, Lin 2016-022).

2. Short-term Corporate Bonds

The Company paid the interest and repaid the principal of its 2014 Short-term Corporate Bonds (Tranche 3) due to maturity on 13 May 2016, the particulars of which is set out in the announcement published on the website of the Shanghai Stock Exchange (Announcement No.: Lin 2016-015).

3. Short-term Financing Bills

The Company paid the interest and repaid the principal of its 2016 Short-term Financing Bills (Tranche 1) due to maturity on 7 June 2016 (Announcement No.: Lin 2016-024).

X. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company obtained aggregate external banking facilities of more than RMB 400 billion from a total of nearly 100 banks, among which RMB 243.3 billion was from Top10 major banks. As of the end of the Reporting Period, the unutilized banking facilities was more than RMB300 billion.

XI. 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.

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

According to material events expressed in article 45 of the Corporate Bond Issuance and Transaction Administrative Measures, the Company received The Decision of Administrative Punishment (No. [2016]127) from CSRC in 28 November 2016. In respect of this case, the Company has completed rectification in accordance with regulatory requirements. Meanwhile, the confiscated gain and fine in relation to this case had been fully provided in profit or loss of the Company for the year of 2015. Hence, this administrative penalty decision has no material impact on the financial position of the Company for the year of 2016 and onwards and the operations and solvency of the Company is normal. The closure of this case has eliminated the uncertainty facing the Company, which is favorable for the future development of the Company. For the details, please refer to the announcement published on the website of the Shanghai Stock Exchange (No.: Lin 2016-053).

SECTION XI FINANCIAL REPORT

- (I) The 2016 Financial Report (H Share) of the Company has been audited by Deloitte Touche Tohmatsu which has issued a standard unqualified audit report.
- (II) Financial statements (H Share) (Appendices).
- (III) Notes to financial statements (H Share) (Appendices).

SECTION XII DOCUMENTS AVAILABLE FOR INSPECTION

- I. 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

1. 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
0	0	14

1. 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 Xinxhe East Road, Puning, Jieyang	Business Department of Haitong Securities Co., Ltd. in Xinxhe East Road, Puning, Jieyang	6th-7th Rooms from South of the Westward Shop, Zhongxin Huafu, Xinxhe East Road, Liusha, Puning, Jieyang, Guangdong	14 January 2016
2	Business Department of Haitong Securities Co., Ltd. in Tianda Road, Huainan	Business Department of Haitong Securities Co., Ltd. in Dongshan Middle Road, Huainan	Office Building of China Construction 4th Engineering 6th Corp. Limited, Zhongxin Community, Dongshan Street, Tianjia'an District, Huainan	25 January 2016
3	Business Department of Haitong Securities Co., Ltd. in Renmin South Road, Leshan	Business Department of Haitong Securities Co., Ltd. in Tongyue Road, Leshan	No. 1, 2/F, No. 26, Tongyue Road, Shizhong District, Leshan	11 March 2016
4	Business Department of Haitong Securities Co., Ltd. in Nehe Zhongxin Street, Qiqihar	Business Department of Haitong Securities Co., Ltd. in Nehe Zhongxin Street, Qiqihar	No. 393, Zhongxin Street, Nehe, Qiqihar, Heilongjiang	15 March 2016
5	Business Department of Haitong Securities Co., Ltd. in Xidazhi Street, Harbin	Business Department of Haitong Securities Co., Ltd. in Xidazhi Street, Harbin	No. 40, Xidazhi Street, Nangang District, Harbin	11 April 2016
6	Business Department of Haitong Securities Co., Ltd. in Shengli Road, Gaocheng, Shijiazhuang	Business Department of Haitong Securities Co., Ltd. in Zhaiying South Street, Shijiazhuang	Room 302, Comprehensive Building of Treasury International Building, No. 41, Zhaiying South Street, Yuhua District, Shijiazhuang, Hebei	6 May 2016

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 Yuanshan Middle Road, Yichun	Business Department of Haitong Securities Co., Ltd. in Yuanshan Middle Road, Yichun	No. 695, Yuanshan Middle Road, Yuanzhou District Yichun, Jiangxi	21 June 2016
8	Business Department of Haitong Securities Co., Ltd. in Zhenhua Road, Shanghai	Business Department of Haitong Securities Co., Ltd. in Dahuayi Road, Putuo District	Unit 101-104, 1/F and Unit 201-202, 2/F, No. 6, 239 Lane, Dahuayi Road, Putuo District, Shanghai	24 June 2016
9	Business Department of Haitong Securities Co., Ltd. in Bianhe Road Suzhou	Business Department of Haitong Securities Co., Ltd. in Bianhe Road Suzhou	2/F, West Door of the Central Square Building), Yongqiao District, Suzhou, Anhui	6 July 2016
10	Business Department of Haitong Securities Co., Ltd. in Lvyuan South Road, Lianyungang	Business Department of Haitong Securities Co., Ltd. in Julong South Road, Lianyungang	Room 110, Building 5 Grand Hyatt Plaza, No.66 Julong South Road, Lianyungang, Jiangsu	25 August 2016
11	Business Department of Haitong Securities Co., Ltd. in Square North Road, Nanchang	Business Department of Haitong Securities Co., Ltd. in Nanjing Road East, Nanchang	2/F, Room 211, 212, 213 Tianyu International Building – office, No.399 Nanjing Road East, Qinshan Lake District, Nanchang, Jiangxi	16 November 2016
12	Business Department of Haitong Securities Co., Ltd. in Xinghua Street, Taiyuan	Business Department of Haitong Securities Co., Ltd. in North Street, Taiyuan	No.109, North Street, Xinghualing District, Taiyuan,	21 November 2016
13	Business Department of Haitong Securities Co., Ltd. in Dongfeng East Street, Weifang	Business Department of Haitong Securities Co., Ltd. in Dongfeng West Street, Weifang	Building 1, No.277 Dongfeng West Street, Weicheng District, Weifang, Shangdong	22 November 2016
14	Business Department of Haitong Securities Co., Ltd. in Hong Kong Road, Shanghai	Business Department of Haitong Securities Co., Ltd. in Xinjian Road, Hongkou District, Shanghai	1/F & 2/F, No.207 & 211, Xinjian Road, Hongkou District, Shanghai	30 December 2016

SECTION XIII INFORMATION DISCLOSURE OF SECURITIES COMPANY

2. *Inaugural Administrative Licensing Matters of Directors, Supervisors and Senior Management*

No.	Date	Contents
1	June 2016	Shanghai Supervision Bureau of CSRC issued "The reply of approval on qualification of Zhang Ming as independent director of securities company" (Hu Zheng Jian Xu Ke [2016] No. 54) to the Company, approving qualification of Zhang Ming as independent director of securities company
2	June 2016	Shanghai Supervision Bureau of CSRC issued "The reply of approval on qualification of Song Chunfeng as supervisor of securities company" (Hu Zheng Jian Xu Ke [2016] No. 65) to the Company, approving qualification of Song Chunfeng as supervisor of securities Company
3	September 2016	Shanghai Supervision Bureau of CSRC issued "The reply of approval on qualification of Mao Yuxing as senior management of securities company" (Hu Zheng Jian Xu Ke [2016] No. 105) to the Company, approving qualification of Mao Yuxing as senior management of securities company
4	October 2016	Shanghai Supervision Bureau of CSRC issued "The reply of approval on qualification of Xu Jianguo as director of securities company" (Hu Zheng Jian Xu Ke [2016] No. 118) to the Company, approving qualification of Xu Jianguo as director of securities company
5	October 2016	Shanghai Supervision Bureau of CSRC issued "The reply of approval on qualification of Zhou Jie as chairman of the board of securities company" (Hu Zheng Jian Xu Ke [2016] No. 121) to the Company, approving qualification of Zhou Jie as chairman of the board of securities company

SECTION XIII INFORMATION DISCLOSURE OF SECURITIES COMPANY

3. Other Administrative Permissions

<u>Date</u>	<u>Business qualification</u>	<u>Approval organization</u>	<u>Title of approval document</u>	<u>No. of approval</u>
27 April 2016	Training Management System Validation Credential	China Quality Certification Center	Certificate number: CQC16T10005R0M/3100	None
28 April 2016	Listing and Transfer of Non-public Issuance of Short-term Corporate Bonds of Security Company in 2016	the Shanghai Stock Exchange	No Objection Letter to Haitong Securities Co., Ltd. on the Listing and Transfer of Non-public Issuance of Short-term Corporate Bonds of Security Company in 2016	Shang Zheng Han [2016] No. 880
25 May 2016	The Shanghai Pilot Free Trade Zone Branch of the Company becomes a Class-A international member of Shanghai Gold Exchange	Shanghai International Gold Exchange	Approval Notice of International Member	None
14 November 2016	Enterprise Business License (combination of three licenses)	Shanghai Municipal Administration for Industry and Commerce	Certificate number: 00000000201611140049	None
29 November 2016	The Securities and Futures Business License	China Securities Regulatory Commission	Credit code: 9131000013220921X6	None
21 December 2016	Qualification for recording military confidential business consultancy services in a secured and confidential condition	State Administration of Science, Technology and Industry for National Defence	Certificate number: 15169003 (Valid for three years)	None

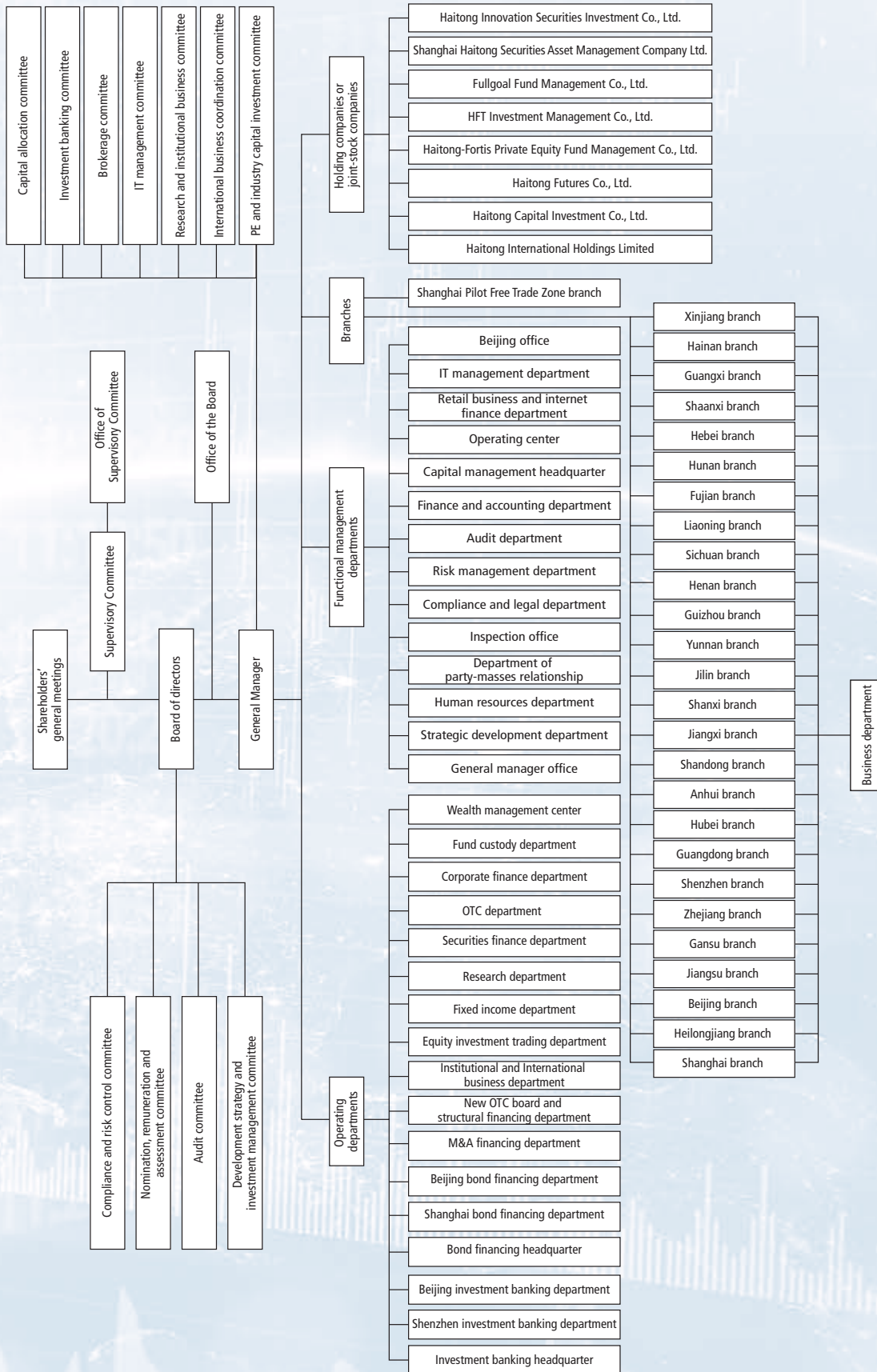
2. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

In 2016, the Company was rated "Grade B, Category BBB" in the regulatory classification system for securities firms.

By order of the Board
Haitong Securities Co., Ltd.
Zhou Jie
Chairman

Shanghai, the PRC
29 March 2017

APPENDIX I ORGANIZATION CHART OF HAITONG SECURITIES CO., LTD.



APPENDIX II

List of branches

No.	Branch	Address	Year of establishment	Person in charge
1	Shanghai branch	19, 20/F, No 285 Jianguo West Road, Xujiahui District, 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/B.C.D.E, Times Wealth Building, No. 88, Fuhua Road 3, Futian District, Shenzhen, Guangdong	2009	Wu Guohua (吳國華)
5	Guangdong branch	9/F, G.T. Land Plaza South Tower, No. 8, Zhujiang West Road, Guangzhou, Guangdong	2009	Cai Zhaopeng (蔡昭鵬)
6	Beijing branch	Room 601, Fangyuan Building, No. Yi 56, South Avenue, Zhongguancun, Beijing	2009	Li Jiansheng (李建生)
7	Heilongjiang branch	7/F, building B, No. 99-9, Changjiang Road, Harbin, Heilongjiang	2009	Hu Haibin (胡海斌)
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, Lvying Road, Honggutan New Area, Nanchang, Jiangxi	2011	Xiao Pingping (肖萍萍)
13	Shanxi branch	No. 92, Xinjian Road, Xinghualing District, Taiyuan, Shanxi	2011	Wang Gang (王剛)
14	Yunnan branch	No. 162, Dongfeng West Road, Kunming, Yunnan	2011	Zhang Chongde (張崇德)
15	Guizhou branch	12-14/F, 1st building, North Tower, Tianheng City Garden, No. 66, Fushui North Road, Guiyang, Guizhou	2011	Zhong Jian (鍾健)
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	Lin peng (林鵬)
18	Sichuan branch	No. 12, Xiaohe Street, Chengdu, Sichuan	2011	Qi huajun (齊淮鈞)
19	Liaoning branch	No. 364, Daxi Road, Shenyang, Liaoning	2011	Zhang Long (張龍)

APPENDIX II

No.	Branch	Address	Year of establishment	Person in charge
20	Fujian branch	3/F, 1st building, Riyuexing Garden, No. 278, Qunzhong Road, Fuzhou, Fujian	2011	Lin Yupeng (林毓鵬)
21	Guangxi branch	2/F, 3rd building, No. 18, Minzhu Road, Xingning District, Nanning, Guangxi	2012	Lu Xiangyang (盧向陽)
22	Hunan branch	6/F, Yinhua Hotel, No. 618, Wuyi Avenue, Changsha, Hunan	2012	Song Jiaqing (宋家清)
23	Shanxi 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)

List of Securities Business Department

No.	Business Department	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	Wan Hao (萬浩)
5	Fuyang Qinghe East Road Securities Business Department	1st building, Yiqingyuan, Qinghe East Road, Yingzhou District, Fuyang	Wu Kan (吳侃)
6	Hefei Huangshan Road Securities Business Department	4/F, Xingdu Building, No. 262, Huangshan Road, Hefei, Anhui	Chen Jie (陳潔)

APPENDIX II

No.	Business Department	Address	Person in charge
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 Dongshan Middle Road Business Department	Office Building of China Construction 4th Engineering 6th Corp. Limited, Zhongxin Community, Dongshan Street, Tianjia'an District, 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	Li Tao (李濤)
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	2/F, west gate of the Central Square Building, Bianhe Road, 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)
20	Beijing Pinggu Jinxiang Road Securities Business Department	1 & 3/F, No. 1, Jinxiang Road Branch, Pinggu District, Beijing	Xiong Jun (熊軍)

APPENDIX II

No.	Business Department	Address	Person in charge
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 Xiujian (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	Weng Hang (翁航)
26	Quanzhou Tian'an Road Securities Business Department	4/F, Youth Building, Tian'an Road, Quanzhou, Fujian	Zhu Chengkai (朱承凱)
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)

APPENDIX II

No.	Business Department	Address	Person in charge
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	Liu Ru (劉儒)
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	Zhuang Yiqun (莊益群)
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 Weiying (朱偉英)
49	Jieyang Puning Xinhe East Road Securities Business Department	6th and 7th from South of the West-ward Shop, Zhongxin Huafu, Xinhe East Road, Liusha, Puning, Jieyang, Guangdong	Huang Shuolin (黃燦林)

APPENDIX II

No.	Business Department	Address	Person in charge
50	Shantou Zhongshan Middle Road Securities Business Department	Room 203 & 303, 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	Ma Chufeng (馬楚峰)
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	Lu Xiongbin (盧雄斌)
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	Deng Qinhua (鄧欽華)
58	Liuzhou Guizhong Avenue Securities Business Department	No. 3-1, 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)
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	Zhang Kai (章凱)
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	Zhou Hong (周洪)

APPENDIX II

No.	Business Department	Address	Person in charge
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 (谷悦)
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 Zhaiying South Street Securities Business Department	Room 302, Commercial Complex, Caiku International Business Center, No. 41, Zhaiying South Street, Yuhua District, Shijiazhuang, 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)

APPENDIX II

No.	Business Department	Address	Person in charge
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	Zhou Guohong (周國洪)
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	Song Junjie (宋俊頡)
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	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)

APPENDIX II

No.	Business Department	Address	Person in charge
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, Aihui District, 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)
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	Yao Houyu (姚厚宇)
106	Mudanjiang Suifenhe Shancheng Road Securities Business Department	No. 101, Shancheng Road, Suifenhe, Mudanjiang, Heilongjiang	Geng Cheng (庚成)

APPENDIX II

No.	Business Department	Address	Person in charge
107	Qiqihar Nehe Zhongxin Street Securities Business Department	No. 393, 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	Wang Xiaofei (王曉飛)
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 Jinqiao Avenue Securities Business Department	No. 61, Jinqiao 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	Gu Hong (顧紅)
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)

APPENDIX II

No.	Business Department	Address	Person in charge
121	Xianning Qianshan Road Securities Business Department	No. 6, Qianshan Road, Xian'an District, Xianning, Hubei	HuangLi (黃莉)
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	Li Jie (李傑)
124	Changde Langzhou Road Securities Business Department	4/F, Kaili Building, No. 137, Langzhou Road, Wuling District, Changde	Liu Jianle (劉建樂)
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	Cao Songtao (曹松濤)
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	1/F & 6/F, Yinhua Building, No. 618, Wuyi Avenue, Changsha, Hunan	Zhang Wenzhong (張文忠)
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)

APPENDIX II

No.	Business Department	Address	Person in charge
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	Ma Yaofeng (馬躍峰)
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)
139	Jiangdu Longchuan South Road Securities Business Department	No. 139, Longchuan South Road, Xiannv Town, Jiangdu District, Yangzhou, Jiangsu	Xing Yi (邢翼)
140	Jiangyin Chaoyang Road Securities Business Department	1/F, No. 55, Chaoyang Road, Jiangyin, Jiangsu	Liang Zheng (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 (薑怡)
143	Lianyungang Julong South Road Securities Business Department	Room 110, 5/F, No.66, Junyue Fortune Plaza, Julong 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)

APPENDIX II

No.	Business Department	Address	Person in charge
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	Room 201, 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	Xue Xiaoyan (薛曉雁)
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	Zhu Cuihong (朱翠紅)
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	Zhao Hong (趙宏)
160	Yangzhou Baoying Suzhong South Road Securities Business Department	No. 6-1038, Jinqiao Life Plaza, Baoying County	Cui Junlan (崔俊嵐)
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)

APPENDIX II

No.	Business Department	Address	Person in charge
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 (鍾瑾瑛)
166	Ganzhou Hongqi Avenue Securities Business Department	1/F-4/F, 1st Building, No. 25, Hongqi Avenue, Zhanggong District, Ganzhou, Jiangxi	Liang Xiaohui (梁小輝)
167	Nanchang Nanjing East Road Securities Business Department	Room 211-213, 2/F, Office Building, No. 399, Tianyu International Building, Nanjing East Road, Qingshanhu District, 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	Zhu Farong (朱發榮)
171	Xinyu Fenyi Fuqian Road Securities Business Department	No. 5, Fuqian Road, Fenyi County, Jiangxi	Fei Jun (費俊)
172	Yichun Yuanshan Middle Road Securities Business Department	No. 695, 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)

APPENDIX II

No.	Business Department	Address	Person in charge
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)
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 West Street Securities Business Department	Room 2-04, Building 1, No. 277, Dongfeng West Street, Weicheng District, Weifang, Shandong	Lv Zhicheng (呂志成)
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	Xu Yongjian (許永健)
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	Xiang Ying (項穎)

APPENDIX II

No.	Business Department	Address	Person in charge
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	Xi Jieyun (齊潔雲)
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 (薑山)
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	Wang Pengfei (王鵬飛)
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	Liu Hong (劉虹)
201	Taiyuan Yingze West Street Securities Business Department	No. 386, Yingze West Street, Taiyuan	Zhang Bin (張濱)
202	Taiyuan Bei Street Securities Business Department	No. 109, Bei Street, Xinghualing District, Taiyuan	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	Liu Zhao (劉昭)
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, Xinxin Street, Xi'an	He Qian (何倩)

APPENDIX II

No.	Business Department	Address	Person in charge
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	Chen Jian (陳劍)
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	Room 202 & 204, 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	Room 101, 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 Putuo District Dahua First Road Securities Business Department	Room 101-104, 1/F & Room 201-202 unit, 2/F, No. 6, Line 239, Dahua First Road, Putuo 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)
221	Shanghai Pingwu Road Securities Business Department	No. 38, Pingwu Road, Shanghai	Yang Hong (楊紅)

APPENDIX II

No.	Business Department	Address	Person in charge
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 (周杰)
224	Shanghai Hongkou District Xinjian Road Securities Business Department	Ground floor and 2/F, No. 207 & 211, Xinjian Road, Hongkou District, Shanghai	Xie Wenbo (謝聞博)
225	Shanghai Yangpu District Zhengben Road Securities Business Department	No. 141, Zhengben Road, Yangpu District, Shanghai	Yu Yonghao (于永浩)
226	Shanghai Putuo District Macao Road Securities Business Department	4/F, No. 351, Macao Road, Shanghai	Du Shuang (杜霜)
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	Zhang Feng (張峰)
230	Shanghai Yutian Branch Road Securities Business Department	1/F & 3/F, 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)

APPENDIX II

No.	Business Department	Address	Person in charge
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)
238	Shanghai Nanxiang Town Securities Business Department	1/F, No. 681, Deyuan Road and 2/F, No. 3, Lane 685, Deyuan Road, Shanghai	Meng Jiajia (孟佳佳)
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 Huafu 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, Huafu Road intersection, Shennan Middle Road, Futian District, Shenzhen	Bao Weihua (包衛華)
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	Huang Kun (黃琨)

APPENDIX II

No.	Business Department	Address	Person in charge
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 (劉燁吉)
251	Shenzhen Gaoxin South Road Four Securities Business Department	6/F, ZTE R&D Building, No. 13 Gaoxin South Road Four, Nanshan District, Shenzhen	Lin Xinmeng (林新孟)
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)
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 Tongyue Road Securities Business Department	Room 1, Building 2, No. 26, Tongyue 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 Xuefeng (陳雪峰)
259	Tianjin Xianguang Avenue Securities Business Department	8/F, Ningtai Plaza, No. 1, Xianguang 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)

APPENDIX II

No.	Business Department	Address	Person in charge
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	Chen Junjun (陳俊駿)
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	Zheng Li (鄭莉)
267	Jinning Kunyang Street Securities Business Department	Room 13, 2/F, Block 1, Zhenghe Commercial Square, Kunyang Town, Jinning County	Wang Guanhang (王冠珩)
268	Lishui Chengdong Road Securities Business Department	No. 34 & 36-1, Chengdong Road, Liandong District, Lishui, Zhejiang	He Zheng (何崢)
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 (汪崢)
271	Hangzhou Huancheng West Road Securities Business Department	No. 46-2, Huancheng West Road, Hangzhou, Zhejiang	Ma Jie (馬劫)
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	Jin Bin (金斌)
275	Huzhuo Shaoxi West Road Securities Business Department	1/F & 2/F, No. 265, Shaoxi West Road, Shaoxi Commercial & Residential Building, Wuxing District, Huzhou	Wang Hui (王輝)
276	Jiaxing Zhongshan West Road Securities Business Department	No. 850 & 852, Zhongshan West Road, Jiaxing, Zhejiang	Wang Honglei (王宏雷)

APPENDIX II

No.	Business Department	Address	Person in charge
277	Ningbo Baizhang East Road Securities Business Department	11/F, No. 787, Baizhang East Road, Ningbo	Wang Yong (王甬)
278	Ningbo Jiefang North Road Securities Business Department	No. 136-148, 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	Xu Dengfu (徐登富)
285	Zhoushan Huancheng West Road Securities Business Department	No. 96, Huancheng West Road, Dinghai District, Zhoushan	Zeng Hongkai (曾宏開)
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)

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF

HAITONG SECURITIES CO., LTD.

(incorporated in the People's Republic of China with limited liability)

Opinion

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 230 to 388, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Impairment of advances to customers on margin financing

We identified the estimation of impairment of advances to customers on margin financing, as a key audit matter due to the significance of advances to customers and the significant judgement applied by the management in assessing impairment.

As disclosed in Note 4, the Group assesses whether there is any observable data indicating that there is an objective evidence of impairment. Moreover, the Group also reviews the value of securities collateral received from the customers in determining the impairment.

As at 31 December 2016, the Group held advances to customers on margin financing of RMB 63,411 million, less impairment allowance of RMB 198 million as disclosed in Note 30. RMB 63 million of impairment loss was charged in 2016 as disclosed in Note 13.

Our procedures in relation to management's impairment assessment of advances to customers on margin financing included:

- Understanding the process and control of the management over the identification of impairment indicators and measurement of impairment allowances;
- Checking the accuracy of the calculation of the shortfall of advances to customers on margin financing after deduction of the recoverable amounts of securities collateral;
- Checking, on a sample basis, the existence of the securities collateral and their recoverable amount to supporting documents and quoted market prices;
- Evaluating the appropriateness and reasonableness of impairment model and assumption used by the management judgement and checking management's calculation of the impairment allowance.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Impairment of equity available-for-sale financial assets

We identified the impairment of available-for-sale equity instruments, which include equity securities, funds and others, as a key audit matter as the Group applied significant judgement in determining impairment of available-for-sale equity instruments.

For available-for-sale equity instruments measured at fair value, the Group applied significant judgement to assess whether there is objective evidence of impairment. As disclosed in Note 4, for listed available-for-sale equity investments and other equity related investments measured at fair value, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment; when assessing impairment of available-for-sale equity investments measured at cost less impairment, the Group applied significant judgement in assessing objective evidence for impairment and determining the discounted future cash flows.

As at 31 December 2016, the impairment allowance of available-for-sale equity instruments was RMB 565 million as disclosed in Note 26.

Our procedures in relation to management's impairment assessment of available-for-sale equity instruments included:

- Understanding the processes and controls in the identification of available-for-sale equity instruments with indicators of impairment;
- Challenging and assessing the management judgement in determining whether the available-for-sale equity instruments are impaired;
- Checking management's calculations of the impairment allowance for available-for-sale equity instruments;

Available-for-sale equity instruments measured at fair value:

- Checking, on a sample basis, the data used by management, including quoted market prices and the duration for the continued decline of the fair value below the cost, against market data;

Available-for-sale equity instruments measured at cost less impairment:

- Assessing, on a sample basis, the appropriateness of the estimation of the discounted cash flows made by the management by checking to latest financial information of those equity investments and comparable industry information.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Impairment of goodwill

We identify the estimation of impairment of goodwill as a key audit matter due to determination of whether or not the impairment charged was necessary involved significant management judgement.

As disclosed in Note 4, the Group 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 an appropriate discount rate in order to calculate the present value.

As at 31 December 2016, the Group held goodwill of RMB 4,119 million. Details of goodwill are set out in Note 18 and 20.

Our audit procedures in relation to management's impairment assessment of goodwill included:

- Understanding the process and controls of management over the impairment assessment of goodwill;
- Examining the determination of recoverable amounts which are the value in use of the cash-generating units to which goodwill has been allocated and understanding the financial positions and future prospects of the cash-generating units;
- Evaluating the reasonableness of key inputs and assumptions adopted by management in estimations of value in use of certain cash-generating units, including projections of cash flows, discount rate and perpetual growth rates applied by checking to approved financial budget of those cash-generating units, evaluating the reasonableness of these budgets with reference to the past performance as well as our knowledge of the business;
- Involving internal valuation experts in reviewing the appropriateness of the discounted rate used in the calculation of value in use of certain cash-generating unit.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Determination of consolidation scope

We identified the determination of consolidation scope as a key audit matter as the Group holds a number of interests in structured entities including collective asset management schemes and investment funds where the Group is involved as investment manager and also as investor. The Group applied significant judgement in determining whether such investments fall within the consolidation scope. The effect of consolidation or not of these structured entities will have significant impact on the consolidated financial statements of the Group.

As disclosed in Note 4, for collective asset management schemes and investment funds where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement 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.

Details of consolidated structured entities and unconsolidated structured entities are set out in Note 22 and 25 to the consolidated financial statements respectively.

Our procedures in relation to management's determination of consolidation scope included:

- Understanding the process and controls of management in determining the consolidation scope of interests in structured entities;
- Checking the information used by the management in accessing the consolidation criteria of significant structured entities against the related sales and purchase agreements and other related service agreements of investments in structured entities newly acquired or with changes in investment holdings or terms during the year;
- Challenging and assessing management judgement in determining the scope of consolidation for each of the significant structured entities and the conclusion about whether or not the consolidation criteria are met.

INDEPENDENT AUDITOR'S REPORT

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ma Hing Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Revenue			
Commission and fee income	5	12,711,293	21,812,616
Interest income	6	16,180,548	18,322,037
Net investment gains	7	6,107,923	11,057,133
Total revenue		34,999,764	51,191,786
Other income and gains	8	7,492,492	4,093,767
Total revenue and other income		42,492,256	55,285,553
Depreciation and amortisation	9	(379,089)	(299,962)
Staff costs	10	(6,168,040)	(7,829,712)
Commission to account executives		(710,195)	(1,192,138)
Brokerage transaction fees and other services expenses	11	(1,036,089)	(2,650,022)
Interest expenses	12	(12,340,937)	(13,566,443)
Other expenses		(10,896,614)	(9,109,852)
Total expenses		(31,530,964)	(34,648,129)
Share of results of associates and joint ventures		200,435	481,445
Profit before income tax	13	11,161,727	21,118,869
Income tax expense	14	(2,231,209)	(4,277,553)
Profit for the year		8,930,518	16,841,316
Attributable to:			
Owners of the Company		8,043,334	15,838,851
Non-controlling interests		887,184	1,002,465
		8,930,518	16,841,316
Earnings per share (Expressed in RMB per share)			
– Basic	15	0.70	1.48
– Diluted	15	0.70	1.48

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Profit for the year	8,930,518	16,841,316
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	1,073,293	2,410,283
Reclassification adjustment to profit or loss on disposal/impairment	(1,483,495)	(1,702,322)
Income tax relating to components of other comprehensive income	123,540	(162,378)
Subtotal	(286,662)	545,583
Exchange differences arising on translation of foreign operation	493,983	70,676
Share of revaluation gain of associates and joint ventures	74,262	79,374
Other comprehensive income for the year (net of tax)	281,583	695,633
Total comprehensive income for the year	9,212,101	17,536,949
Attributable to:		
Owners of the Company	7,648,626	16,296,407
Non-controlling interests	1,563,475	1,240,542
	9,212,101	17,536,949

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	NOTES	2016/12/31 RMB'000	2015/12/31 RMB'000
Non-current assets			
Property and equipment	16	1,615,839	1,317,178
Investment properties	17	18,059	19,254
Goodwill	18	4,118,734	3,757,597
Other intangible assets	19	467,750	449,286
Investments accounted for using equity method	23	8,749,592	5,136,607
Finance lease receivables	24	22,035,884	17,472,135
Available-for-sale investments	26	45,269,933	33,445,224
Loans and advances	41	5,141,634	5,648,299
Held-to-maturity investments	28	83,509	77,747
Deferred tax assets	54	2,773,812	2,516,143
Other loans and receivables	27	5,684,365	4,668,075
Financial assets held under resale agreements	33	20,922,862	17,223,078
Financial assets at fair value through profit or loss	35	–	7,774,533
Deposits with exchanges	36	1,592,688	2,282,857
Restricted bank deposits	38	771,029	710,007
Other assets	29	319,207	184,945
Total non-current assets		119,564,897	102,682,965
Current assets			
Advances to customers on margin financing	30	63,212,920	76,324,967
Accounts receivable	31	6,929,537	6,263,868
Finance lease receivables	24	14,519,336	9,921,752
Other receivables and prepayments	32	10,228,802	3,154,363
Available-for-sale investments	26	12,758,905	11,045,127
Loans and advances	41	470,655	1,676,977
Held-to-maturity investments	28	–	4,986
Other loans and receivables	27	32,787,054	13,524,326
Financial assets held under resale agreements	33	63,600,363	60,245,770
Placements to banks and other financial institutions	34	705,848	184,334
Financial assets at fair value through profit or loss	35	92,347,494	102,665,873
Derivative financial assets	50	3,935,071	3,428,166
Deposits with exchanges	36	7,359,343	5,275,772
Clearing settlement funds	37	12,191,899	15,747,116
Deposits with central banks	40	274,303	834,885
Deposits with other banks	40	761,628	276,425
Bank balances and cash	38	119,217,791	163,191,220
Total current assets		441,300,949	473,765,927
Total assets		560,865,846	576,448,892

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	NOTES	2016/12/31 RMB'000	2015/12/31 RMB'000
Current liabilities			
Borrowings	44	46,659,113	31,284,497
Deposits from other banks	42	14,586	2,668
Short-term financing bills payables	45	19,864,117	22,336,951
Placements from banks and other financial institutions	46	3,210,521	1,512,362
Accounts payable to brokerage clients	47	104,059,287	129,026,336
Customer accounts	43	4,757,573	2,098,115
Bonds payable	55	11,103,335	10,793,748
Other payables and accruals	48	19,866,992	15,504,612
Provisions	49	124,622	60,611
Tax liabilities		1,748,846	3,895,438
Financial liabilities at fair value through profit or loss	51	38,063,861	24,837,241
Derivative financial liabilities	50	2,594,009	3,718,116
Financial assets sold under repurchase agreements	52	43,638,525	90,951,854
Total current liabilities		295,705,387	336,022,549
Net current assets		145,595,562	137,743,378
Total assets less current liabilities		265,160,459	240,426,343
Equity			
Share capital	53	11,501,700	11,501,700
Capital reserve		56,338,470	56,375,749
Investment revaluation reserve		784,436	1,054,746
Translation reserve		(675,699)	(551,301)
General reserves	57	15,849,581	13,993,667
Retained profits	57	26,331,639	25,319,984
Equity attributable to owners of the Company		110,130,127	107,694,545
Non-controlling interests		11,828,274	9,233,126
Total equity		121,958,401	116,927,671

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>NOTES</i>	2016/12/31 RMB'000	2015/12/31 <i>RMB'000</i>
Non-current liabilities			
Deferred tax liabilities	54	557,472	665,909
Bonds payable	55	117,191,857	89,805,660
Long-term borrowings	44	14,489,442	9,330,007
Long-term payables	56	3,539,521	2,336,208
Financial assets sold under repurchase agreements	52	93,202	7,624,682
Financial liabilities at fair value through profit or loss	51	575,770	6,188,371
Customer accounts	43	–	721,044
Deposits from central banks		438,408	433,514
Placements from banks and other financial institutions	46	5,598,941	5,747,990
Other payables and accruals	48	717,445	645,287
Total non-current liabilities		143,202,058	123,498,672
Total equity and non-current liabilities		265,160,459	240,426,343

The consolidated financial statements on pages 230 to 388 were approved and authorised for issue by the Board of Directors on 29 March 2017 and signed on behalf by:

周杰

Chairman of Board

瞿秋平

*Executive Director and
General Manager*

李礎前

Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	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 2016	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
Profit for the year	-	-	-	-	-	8,043,334	8,043,334	887,184	-	887,184	8,930,518
Other comprehensive income (expense) for the year	-	-	(270,311)	(124,397)	-	-	(394,708)	676,291	-	676,291	281,583
Total comprehensive income (expense) for the year	-	-	(270,311)	(124,397)	-	8,043,334	7,648,626	1,563,475	-	1,563,475	9,212,101
Shares issued	-	-	-	-	-	-	-	-	-	-	-
Changes of equity interests in subsidiaries	-	(37,279)	-	-	-	-	(37,279)	133,946	-	133,946	96,667
Perpetual bond issued by a subsidiary (Note b)	-	-	-	-	-	-	-	1,197,170	-	1,197,170	1,197,170
Appropriation to general reserves	-	-	-	-	1,855,914	(1,855,914)	-	-	-	-	-
Cash dividend distribution to non-controlling interests	-	-	-	-	-	-	-	(336,426)	-	(336,426)	(336,426)
Share options granted by a subsidiary	-	-	-	-	-	-	-	-	36,983	36,983	36,983
Cash dividend recognised as distribution (Note 61)	-	-	-	-	-	(5,175,765)	(5,175,765)	-	-	-	(5,175,765)
At 31 December 2016	11,501,700	56,338,470	784,435	(675,698)	15,849,581	26,331,639	110,130,127	11,766,474	61,800	11,828,274	121,958,401
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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

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: As at 11 March 2016, Haitong Unitrust International Leasing Corporation, the subsidiary of the Group, issued the perpetual note of which the total issuance was RMB 1,200,000,000 and the value date was 14 March 2016. The perpetual note has no fixed maturity and is redeemable at the issuer's option on or after the fifth interest payment date, at their principal amounts together with any accrued, unpaid or deferred coupon payments. According to the term of issuance, the issuer has the right to choose to defer interests payment at each coupon date without times limit of deferral, unless compulsory interest payment events are triggered. Such compulsory interest payment events are i) declaration and payment dividend to ordinary shareholders and ii) reduction of share capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
OPERATING ACTIVITIES		
Profit before income tax	11,161,727	21,118,869
Adjustments for		
Interest expenses	12,340,937	13,566,443
Share of results of associates and joint ventures	(200,435)	(481,445)
Depreciation and amortisation	379,089	299,962
Provision for impairment loss in respect of receivables	1,178,947	922,218
Gain on other bond investments and held-to-maturity investments	(950,026)	(1,012,424)
Losses on disposal of property and equipment and other intangible assets	1,193	2,460
Share-based payment of a subsidiary	25,795	19,415
Foreign exchange (losses), net	(10,728)	(172,966)
Net gains arising from available-for-sale investments (Reversal from)/Impairment in respect of available-for-sale investments	(2,558,598)	(2,415,035)
	(240,546)	(168,595)
Operating cash flows before movements in working capital	21,127,355	31,678,902
Increase in deposits and reserve funds and deposits with exchanges	(1,393,402)	(697,608)
Decrease in loans and advances	1,712,987	748,369
Increase in customer accounts	1,938,414	641,198
Increase/(Decrease) in deposit from other banks	577,394	(828,705)
Decrease/(Increase) in advances to customers on margin financing	13,049,204	(11,460,869)
(Increase) in accounts and other receivables and prepayments	(6,936,400)	(3,943,807)
(Increase) in finance lease receivables	(9,448,482)	(7,455,567)
(Increase) in financial assets held under resale agreements	(7,095,274)	(13,621,013)
(Increase)/Decrease in placements to banks and other financial institutions	(521,514)	1,815,666
Decrease/(Increase) in financial assets at fair value through profit or loss	15,597,243	(46,070,402)
Decrease/(Increase) in restricted bank deposits	112,407	(1,463,900)
Decrease/(Increase) in cash held on behalf of clients	29,456,075	(50,148,516)
(Decrease)/Increase in accounts payable to brokerage clients and other payables and accruals	(19,370,717)	52,231,071
Increase in financial liabilities at fair value through profit or loss	3,895,903	14,732,046
(Decrease)/Increase in financial assets sold under repurchase agreements	(54,844,809)	20,055,168
Increase/(Decrease) in placements from other financial institutions	1,549,110	(11,554,535)
Increase/(Decrease) in provisions	64,011	(92,257)
Cash used in operations	(10,530,495)	(25,434,759)
Income taxes paid, net	(4,620,367)	(2,553,144)
Interest paid	(4,117,564)	(6,001,619)
NET CASH USED IN OPERATING ACTIVITIES	(19,268,426)	(33,989,522)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
INVESTING ACTIVITIES			
Dividends received from associates and other investments		271,647	268,638
Purchases of property and equipment and intangible assets		(452,431)	(339,072)
Proceeds on disposal of property and equipment		31,536	55,659
Capital injection to associates and joint ventures		(4,267,946)	(922,310)
Proceeds on disposal of an associate		618,377	112,587
Increase in available-for-sale investments		(11,174,808)	(26,015,060)
Acquisition of subsidiaries	71	–	(2,041,641)
Proceed from disposing interest in subsidiary		–	133,543
Increase in other loan and receivables		(16,611,192)	(7,509,250)
Decrease in held-to-maturity investments		7,019	290,513
Payment on other investment activities		–	–
NET CASH USED IN INVESTING ACTIVITIES		(31,577,798)	(35,966,393)
FINANCING ACTIVITIES			
Dividends paid		(5,456,657)	(3,323,772)
Purchase of additional interests in subsidiaries		(233,431)	(639,226)
Proceeds from H shares issued		–	25,972,690
Proceeds from issuance of subsidiaries' shares		1,268,470	3,375,770
Proceeds from borrowings raised		33,801,217	23,431,342
Borrowing interest paid		(2,316,886)	(2,099,643)
Proceeds from issuance of convertible bonds		3,441,379	–
Convertible bonds issuing cost paid		(4,088)	–
Non-convertible bond and short-term financing bills payables proceeds		100,531,669	189,914,602
Non-convertible bonds issuing cost paid		(80,638)	(105,572)
Bond interest paid		(5,845,624)	(3,253,944)
Proceeds from share issued upon exercise of share options		10,256	72,024
Purchase of shares held under the share award scheme		–	(107,253)
Repayment of borrowings, short-term bonds, non-convertible bonds and others		(91,760,791)	(136,135,386)
Issuance cost paid for H shares issued		–	(89,477)
Received from other financing activities		–	65,765
NET CASH FROM FINANCING ACTIVITIES		33,354,876	97,077,920
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(17,491,348)	27,122,005
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		51,744,586	24,339,194
Effect of foreign exchange rate changes		77,409	283,387
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	39	34,330,647	51,744,586
Total interest paid		(12,284,162)	(11,355,206)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

For the purpose of preparing and presenting the consolidated financial statements, the Group has applied the following amendments to International Financial Reporting Standards ("IFRSs") which are relevant to the Group for the first time in the current year:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

The application of the above amendments to IFRSs has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements except for the following:

Amendments to IAS 1 Disclosure Initiative

The Group has applied the amendments to IAS 1 Disclosure Initiative for the first time in the current year. The amendments to IAS 1 clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information in relation to segment was reordered to note 67. Other than the above presentation and disclosure changes, the application of the amendments to IAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

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

The Group has applied the amendments to IFRS 11 "Accounting for acquisitions of interests in joint operations" for the first time in the current year. The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (for example, IAS 12 "Income taxes" regarding the recognition of deferred taxes at the time of acquisition and IAS 36 "Impairment of assets" regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

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

The amendments have been applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of the current year. The directors of the Company anticipate that the application of these amendments to IFRS 11 may have an impact on the Group's consolidated financial statements in the future periods should such transaction arise.

New or revised standards and interpretations that have been issued but not yet effective (for 2016 Dec financial statements)

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers ¹
IFRS 16	Leases ²
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 7	Disclosure Initiative ⁴
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle ⁵

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

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

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:

IFRS 9 Financial instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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)

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IFRS 9 are required to be 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 such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's 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.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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)

Based on the Group's financial instruments and risk management policies as at 31 December 2016.

For entities with available-for-sale investments and financial assets at amortised cost

Application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated at FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

For entities with hedging activities

The directors of the Company anticipate that the application of new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting.

However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group performs a detailed review.

IFRS 15 Revenue from contracts with customers

IFRS 15 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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)

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

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 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and financing/operating cash flows respectively.

Under iAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

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

IFRS 16 Leases (continued)

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB 557,697 thousand as disclosed in note 59. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
 - i) the original liability is derecognised;
 - ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
 - iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (continued)

The directors of the Group do not anticipate that the application of these amendments to IFRS 2 will have a material impact on the amounts recognised in the Group's consolidated financial statements.

The directors of the Group do not expect to adopt the amendments to IFRS 2 early before its effective date.

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").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values 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 2016

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 2016

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

Basis of consolidation (continued)

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 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 relevant components of equity including reserves 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 after re-attribution of relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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 attributable to shareholders of the company. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Business combinations (continued)

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 as at acquisition date. 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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Business combinations (continued)

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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business 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, which represent the lowest level at which goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit or group of cash-generating units 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 from an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill 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 (or group of cash-generating units).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Investments in associates and joint ventures

An associate is an entity over which the Group 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, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with IFRS 5. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. 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 the Group's 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Investments in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted as a disposal of the entire interest in the investee with a resulting gain or loss being recorded in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 39, 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 the relevant 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.

When a group entity transacts with an associate or a joint venture of the Group, 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 accumulated depreciation and accumulated impairment losses, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Property and equipment (continued)

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. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction 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:

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	3 – 5%	Over the shorter of the lease term and estimated useful life of buildings of 30 – 40 years
Furniture, fixtures and equipment	3 – 10%	5 – 11 years
Motor vehicles	3 – 10%	5 – 8 years
Electronic equipment	3 – 10%	3 – 5 years
Leasehold improvements	nil	Over the lease term

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or administrative purposes, the amortisation of prepaid lease payment provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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.

Investment properties are depreciated over their estimated useful lives of 30 years and after taking into account their estimated residual value of 3%-5%, using the straight-line method. 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 the disposals. Any gain or loss arising on derecognition of the property (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 with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation 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.

Derecognition of Intangible assets

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.

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 acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Intangible assets (continued)

Impairment on tangible and intangible assets other than goodwill and financial assets

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Leasehold land and building (Continued)

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.

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 recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company’s net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the approximate exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

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.

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.

Short-term and long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Employee benefits (Continued)

Short-term and long-term employee benefits (Continued)

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. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in the profit or loss except to the extent that another IFRS requires or permits their inclusions in the cost of an asset.

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 tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and 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 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 2016

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 and associates, and interests in joint ventures, 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 and interests 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 are 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 current and the deferred tax are 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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 2016

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; or
- on initial recognition it is part of a portfolio of identified 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 gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in Note 69.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

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.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS 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 AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale investments (Continued)

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment 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, financial assets held under resale agreement 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at 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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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; or
- on initial recognition 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 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.

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 excluded any interest paid on the financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

Compound financial instruments

The component parts of the convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium and share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Financial instruments (Continued)

Compound financial instruments (Continued)

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

Embedded Derivative

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Financial instruments (Continued)

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

(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 attributable to the hedged risk.

Fair value hedge

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. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item. The adjustment to the carrying amount of the hedged item for which the effective interest method is used is amortised to profit or loss when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. The adjustment is based on a recalculated effective interest rate at the date the amortisation begins.

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.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of other reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Financial instruments (continued)

Cash flow hedge (Continued)

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Financial instruments (continued)

Derecognition (Continued)

On derecognition of a financial asset other than in its entirety, (e.g. when the Group retains an option to repurchase part of a transferred asset) the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial guarantee contract

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 contracts issued by a group entity are initially measured at their fair values and, if not designed as at FVTPL, are subsequently measured at the higher of:

- According to the amount of contractual obligations according to IAS 37; And
- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Financial instruments (continued)

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.

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.
- (vi) Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).
- (vii) Rental income from operating leases is recognised on a straight-line basis over the term of relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably measured.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of each 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 (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payment transactions

Share options granted to employees

The Company's subsidiary Haitong International Securities operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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.

Impairment of loans and advances, advances to customers on margin financing and financial assets held under resale agreements

The Group reviews its loans and advances, advances to customers on margin financing and financial assets held under resale agreements 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 loans and advances, advances to customers on margin financing and financial assets held under resale agreements. 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, advances to customers on margin financing and financial assets held under resale agreements are set out in Note 41, 30 and 33.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate 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.

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 and other equity related investments measured at fair value, 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 consolidated financial statements 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. For available-for-sale debt instruments, the Group makes the judgments as to whether there is an objective evidence of impairment which indicates a measurable decrease in the estimated future cash flows of these debt instruments. For unlisted available-for-sale equity instruments measured at cost, the Group makes the judgement as to whether there is an objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, as well as operating and financing cash flows. This requires a significant level of management judgement which would affect the amount of impairment losses in profit or loss. Details of the available-for-sale investments are set out in Note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

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.

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. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. COMMISSION AND FEE INCOME

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Commission on securities dealing, broking and handling fee income	6,406,529	15,852,454
Commission on futures and options contracts dealing and broking and handling fee income	551,135	479,974
Financial advisory and consultancy fee income	1,460,984	1,341,075
Underwriting and sponsors fees	2,619,300	1,644,980
Asset management fee income (including fund management income)	1,641,855	2,465,127
Commission on bullion contracts dealing	662	1,433
Others	30,828	27,573
	12,711,293	21,812,616

6. INTEREST INCOME

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Bank interest income	3,164,933	3,596,340
Interest income from advances to customers on margin financing	5,047,767	7,963,583
Interest income from loans and advances	694,180	145,163
Interest income from financial assets held under resale agreements (<i>Note</i>)	4,743,989	4,529,821
Interest income from finance leases	2,401,560	1,986,670
Other interest income	128,119	100,460
	16,180,548	18,322,037

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 RMB 61,677,000 (2015:RMB 136,040,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

7. NET INVESTMENT GAINS

	2016	2015
	RMB'000	<i>RMB'000</i>
Net gains arising from available-for-sale investments	2,558,598	2,415,035
Net gains arising from financial assets/liabilities at fair value through profit or loss	2,766,728	9,735,570
Fair value change of financial instruments at fair value through profit or loss	(231,334)	(2,028,068)
Net gains arising from fair value hedge	–	11,829
Net gains arising from other loan and receivables and others	1,013,931	922,767
	6,107,923	11,057,133

8. OTHER INCOME AND GAINS

	2016	2015
	RMB'000	<i>RMB'000</i>
Non-recurring government grants (<i>Note</i>)	568,029	249,573
Rental income from investment properties	14,369	16,196
Revenue arising from warehouse receipt and others	6,910,094	3,827,998
	7,492,492	4,093,767

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. DEPRECIATION AND AMORTISATION

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Depreciation of property and equipment	280,748	231,002
Depreciation of investment properties	1,195	1,201
Amortisation of other intangible assets	96,643	67,256
Amortisation of prepaid lease payments	503	503
	379,089	299,962

10. STAFF COSTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Staff costs (including directors' remuneration (<i>Note 62</i>)):		
Salaries, bonus and allowances	5,124,830	7,023,734
Contributions to annuity plans and retirement schemes (<i>Note</i>)	674,426	496,690
Other social welfare	368,784	309,288
	6,168,040	7,829,712

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's contributions to these pension plans are charged to profit or loss in the period to which they relate.

Share option award of subsidiaries is disclosed in Note 64.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

11. BROKERAGE TRANSACTION FEES AND OTHER SERVICES EXPENSES

	2016	2015
	RMB'000	<i>RMB'000</i>
Securities and futures dealing and broking expenses	988,559	2,600,773
Services expenses for underwriting, sponsorship, and financial advisory, etc.	47,530	49,249
	1,036,089	2,650,022

12. INTEREST EXPENSES

	2016	2015
	RMB'000	<i>RMB'000</i>
Interest on borrowings wholly repayable within five years:		
– bank loans and overdrafts	2,768,182	2,050,102
– deposit taken from banks and other financial institutes	344,147	104,485
– financial assets sold under repurchase agreements (<i>Note</i>)	2,627,625	5,334,167
– accounts payable to brokerage clients	345,377	444,309
– advances from China Securities Finance Corporation Ltd.	24,382	274,353
– bond payables	6,038,402	5,097,049
– others	192,822	261,978
	12,340,937	13,566,443

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 RMB 4,951,000 (2015: RMB 24,191,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. PROFIT BEFORE INCOME TAX

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
The Group's profit before income tax is arrived at after charging (crediting):		
Auditors' remuneration	24,248	13,693
Includes: Annual audit fee for the Company	7,300	6,004
Other subsidiaries' audit fee	16,609	6,314
Others	339	1,375
Impairment loss in respect of available-for-sale investments included in other expenses	240,546	168,595
Impairment loss in respect of accounts receivable and other receivables included in other expenses	(23,044)	(5,141)
Impairment loss in respect of finance lease receivables included in other expenses	507,743	648,708
Impairment loss in respect of advances to customers on margin financing included in other expenses	62,843	19,261
Impairment loss in respect of financial assets held under resale agreements included in other expenses	57,841	79,162
Impairment loss in respect of factoring receivables and entrusted loan	70,025	34,914
Losses/(gains) on disposal of property and equipment and other intangible assets	1,193	2,460
Foreign exchange (gains)/losses	(10,728)	(172,966)
Business taxes and surcharges	490,686	1,915,068
Sales expenses	5,863,536	2,879,878
Operating lease rentals in respect of rented premises	407,758	345,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. INCOME TAX EXPENSE

	2016	2015
	RMB'000	<i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax and other jurisdictions	2,113,828	5,220,875
Hong Kong Profits Tax	323,379	392,524
	2,437,207	5,613,399
Adjustments in respect of current income tax in relation to prior years:		
PRC Enterprise Income Tax and other jurisdictions	(15,495)	(10,519)
Hong Kong Profits Tax	(30,686)	15,093
	(46,181)	4,574
Deferred tax:		
Current period	(159,416)	(1,351,355)
Previous period	(401)	10,935
	2,231,209	4,277,553

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 2016

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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Profit before income tax	11,161,727	21,118,869
Tax at the statutory tax rate of 25%	2,790,432	5,279,717
Effect of share of results of associates and joint ventures	(53,111)	(120,361)
Tax effect of expenses not deductible for tax purpose	667,132	317,613
Tax effect of income not taxable for tax purpose	(986,765)	(968,667)
Adjustments in respect of income tax in relation to prior years	(46,582)	15,509
Effect of different tax rates of subsidiaries operating in other jurisdictions	(164,853)	(199,742)
Others	(24,956)	(46,516)
Tax charge	2,231,209	4,277,553

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

15. EARNINGS PER SHARE

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

	2016	2015
	RMB'000	RMB'000
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	8,043,334	15,838,851
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds (<i>Note i</i>)	7,328	8,874
Adjustment to the share of profit of a listed subsidiary based on dilution of its earnings per share (<i>Notes i, ii</i>)	(30,138)	(45,309)
Earnings for the purpose of diluted earnings per share	8,020,524	15,802,416
Number of shares for basic and diluted earnings per share:		
Number of shares in issue (in thousand)	11,501,700	10,702,959
Basic earnings per share	0.70	1.48
Diluted earnings per share	0.70	1.48

Notes:

- (i) On 18 July 2013, 10 October 2013 and 4 November 2014, a listed subsidiary of the Group issued convertible bonds of HKD 776 million, HKD 232 million, HKD 1,164 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 2016, no share options under the scheme were exercised. 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 2015 and 2016 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 2016

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
COST							
As at 1 January 2016	1,102,905	769,008	944,170	173,747	176,198	25,364	3,191,392
Arising from acquisition of a subsidiary							
Additions during the year	4,378	45,049	177,033	299,208	26,398	52,923	604,989
Disposals during the year	(4,692)	(1,250)	(91,040)	(8,654)	(17,626)	(4,986)	(128,248)
Transfer during the year	466	20,160	15,793	-	903	(37,322)	-
Exchange difference	4,666	4,275	7,065	(8,923)	6,665	(3,162)	10,586
As at 31 December 2016	1,107,723	837,242	1,053,021	455,378	192,538	32,817	3,678,719
ACCUMULATED DEPRECIATION							
As at 1 January 2016	359,925	610,319	651,948	111,233	110,407	-	1,843,832
Provided for the year	32,050	63,633	146,138	17,389	21,538	-	280,748
Eliminated on disposals	(83)	(1,096)	(84,331)	(7,602)	(14,085)	-	(107,197)
Exchange difference	111	2,121	5,839	183	6,861	-	15,115
As at 31 December 2016	392,003	674,977	719,594	121,203	124,721	-	2,032,498
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2016 & 31 December 2016	30,382	-	-	-	-	-	30,382
CARRYING VALUES							
As at 31 December 2016	685,338	162,265	333,427	334,175	67,817	32,817	1,615,839

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

16. PROPERTY AND EQUIPMENT (continued)

	Leasehold land and buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
COST							
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
As at 31 December 2015	1,102,905	769,008	944,170	173,747	176,198	25,364	3,191,392
ACCUMULATED DEPRECIATION							
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
As at 31 December 2015	359,925	610,319	651,948	111,233	110,407	–	1,843,832
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2015 & 31 December 2015	30,382	–	–	–	–	–	30,382
CARRYING VALUES							
As at 31 December 2015	712,598	158,689	292,222	62,514	65,791	25,364	1,317,178

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:

	2016/12/31 <i>RMB'000</i>	2015/12/31 <i>RMB'000</i>
Held in Hong Kong medium-term lease (10 – 50 years)	1,402	1,378
Held in areas outside Hong Kong long-term lease (over 50 years)	683,936	711,220
	685,338	712,598

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 2016 and 31 December 2015, included in leasehold land and buildings, there is a carrying amount of RMB 36,264,000 and RMB 37,664,000, respectively, for which the Group have yet to obtain the relevant land and building certificates.

17. INVESTMENT PROPERTIES

	2016/12/31 RMB'000	2015/12/31 RMB'000
COST		
At beginning of the year	37,610	37,610
At end of the year	37,610	37,610
ACCUMULATED DEPRECIATION		
At beginning of the year	18,356	17,155
Provided for the year	1,195	1,201
At end of the year	19,551	18,356
CARRYING VALUES		
At end of the year	18,059	19,254

The fair values of the Group's investment properties at 31 December 2016 and 31 December 2015, were RMB 101,506,000 and RMB 94,201,000 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

18. GOODWILL

Cost and carrying values

	2016/12/31 RMB'000	2015/12/31 RMB'000
At beginning of the year	3,757,597	2,600,616
Additional amount in respect of business combination (Note 71)	95,568	980,734
Exchange adjustments	265,569	176,247
At end of the year	4,118,734	3,757,597

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
COST					
As at 1 January 2016	223,757	615,924	92,836	45,720	978,237
Additions during the year	–	95,925	2,800	14,253	112,978
Disposals during the year	–	(6,891)	(50)	(9,452)	(16,393)
Transfer during the year	–	40,181	–	(40,181)	–
Exchange difference	374	20,196	2,903	4,404	27,877
As at 31 December 2016	224,131	765,335	98,489	14,744	1,102,699
ACCUMULATED AMORTISATION					
As at 1 January 2016	118,400	368,827	41,724	–	528,951
Provided for the year	–	93,554	3,089	–	96,643
Eliminated on disposals	–	(4,665)	(50)	–	(4,715)
Exchange difference	–	13,827	243	–	14,070
As at 31 December 2016	118,400	471,543	45,006	–	634,949
CARRYING VALUES					
As at 31 December 2016	105,731	293,792	53,483	14,744	467,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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>
COST					
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	223,757	615,924	92,836	45,720	978,237
ACCUMULATED AMORTISATION					
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	118,400	368,827	41,724	–	528,951
CARRYING VALUES					
As at 31 December 2015	105,357	247,097	51,112	45,720	449,286

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 2016

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 last year which headquarter is in Portugal ("Unit D") and one subsidiary acquired by the Group last year which headquarter is in Japan ("Unit E"). The carrying amounts of goodwill as at 31 December 2016 and 31 December 2015 allocated to these units are as follows:

	2016/12/31	2015/12/31
	RMB'000	RMB'000
Unit A – Haitong Futures Co., Ltd.	5,896	5,896
Unit B – Haitong International Securities Group Limited	702,173	657,642
Unit C – Haitong UT Capital Group Co., Ltd.	2,240,013	2,097,951
Unit D – Haitong Bank S.A. (formerly Banco Espirito Santo de Investimento, S.A.)	1,038,404	872,248
Unit E – Haitong International Holdings (UK) Limited (formerly "Japaninvest Group plc")	132,248	123,860
	4,118,734	3,757,597

During the year ended 31 December 2016 and 31 December 2015, 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 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 2016. (31 December 2015: 8.0% to 15.22%). 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, gross margin and perpetual growth rate, such estimation is based on the units' past performance and management's expectations for the market development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES (continued)

Impairment testing on goodwill (continued)

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.

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 2016 and 31 December 2015.

21. PRINCIPAL SUBSIDIARIES

Investment costs and balances with subsidiaries:

	2016/12/31 RMB'000	2015/12/31 RMB'000
Unlisted shares, at cost	25,266,156	21,266,156

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 2016	As at 31 December 2015		
海富通基金管理有限公司 HFT Investment Management Co., Ltd.* ^β	PRC	51%	51%	RMB 150,000,000	Provision of fund trading, distribution and management services
海富產業投資基金管理有限公司 Haitong-Fortis Private Equity Fund Management Co., Ltd.* ^β	PRC	67%	67%	RMB 100,000,000	Provision of advisory services and fund management services
海通開元投資有限公司 Haitong Capital Investment Co. Ltd.* ^{βδ} ("HCICL")	PRC	100%	100%	RMB 10,650,000,000	Provision of advisory services and proprietary trading
海通國際控股有限公司 Haitong International Holdings Limited ^{βπ} ("HTIH")	Hong Kong	100%	100%	HKD 8,850,000,000	Investment holding
海通期貨有限公司 Haitong Futures Co., Ltd. ^β and dealing	PRC	66.667%	66.667%	RMB 1,300,000,000	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 ^α ("HISGL")	Bermuda	61.78%	60.76%	HKD 533,653,447	Investment holding
海通創新證券投資有限公司 Haitong Chuangxin Securities Investment Company Limited ^β	PRC	100%	100%	RMB 3,500,000,000	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* ^{βε}	PRC	100%	100%	RMB 2,200,000,000	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%	HKD 4,146,162,881	Financial Leasing
海通銀行 Haitong Bank S.A. ("Haitong Bank")	Portugal	100%	100%	EUR 426,269,000	Banking Services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

21. PRINCIPAL SUBSIDIARIES (continued)

Details of the principal subsidiaries: (continued)

- * English translated name is for identification only.
- α The subsidiary's shares are listed on the Main Board of the Hong Kong Stock Exchange. On 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 HKD 3.50 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 HKD 681 million and HKD 1,027 million were converted into ordinary shares of HISGL, totally 364,117,883 shares. During the year ended 31 December 2016, no convertible bonds issued by the HISGL in 2013 and 2014 were converted into ordinary shares of the HISGL. During the current year, 3,523,991 (31 December 2015: 19,441,009) share options were exercised resulting in issuance of 3,523,991 (31 December 2015: 19,441,009) ordinary shares of the Company with new share capital of HK\$352,000 (31 December 2015: HK\$1,944,000) and share premium of HK\$11,465,000 (31 December 2015: HK\$84,026,000) (before issuing expenses). At a meeting of the Board held on 9 March 2017, the directors recommended the payment of a final dividend in cash with a scrip option for the year ended 31 December 2016 in the total amount of HK\$426,923,000.
- β The subsidiary is directly held by the Company.
- £ On 29 September 2016, the Company raise the capital to Shanghai Haitong Securities Asset Management Company Limited in amount of RMB 1 billion. After the capital increment, the share capital of Shanghai Haitong Securities Asset Management Company Limited is RMB 2.2 billion.
- δ On 27 December 2016, the Company raise the capital to HCICL in amount of RMB 3 billion. After the capital increment, the share capital of HCICL is RMB 10.65 billion.
- π On 25 September 2015, the convertible bond from the Company amounting to HKD 2.85 billion was converted into same amount of ordinary shares of HTIH.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

The table below shows details of non-wholly-owned subsidiaries of the Group that have material Non-controlling interests:

Name of subsidiary	Placement of incorporation	Proportion of ownership interests and voting rights held by non controlling interests		Profit allocated to non controlling interests		Accumulated non controlling interests	
		31/12/2016	31/12/2015	31/12/2016 RMB'000	31/12/2015 RMB'000	31/12/2016 RMB'000	31/12/2015 RMB'000
HISGL	Bermuda	38.22%	39.24%	574,458	830,959	7,675,170	6,847,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

21. PRINCIPAL SUBSIDIARIES (continued)

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

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

	2016/12/31	2015/12/31
	RMB'000	RMB'000
Current assets	97,083,831	64,986,926
Non-current assets	20,548,928	12,020,974
Current liabilities	84,321,463	47,041,905
Non-current liabilities	13,230,420	12,516,055
Total equity	20,080,876	17,449,940
Non-controlling interests of the subsidiary	7,675,170	6,847,566
	2016	2015
	RMB'000	RMB'000
Total income	4,786,359	4,871,946
Total expenses	(3,283,381)	(2,769,075)
Profit for the year	1,502,978	2,102,871
Other comprehensive income	104,517	(59,069)
Total comprehensive income for the year	1,607,495	2,043,802
Total comprehensive income attributable to the non-controlling interests of the subsidiary	614,406	809,465
Dividends paid to non-controlling interests	282,554	447,609
Net cash outflow from operating activities	(2,935,590)	(11,684,250)
Net cash inflow from financing activities	15,220,614	19,605,574
Net cash outflow from investing activities	(11,600,540)	(5,265,858)
Net cash inflow	684,484	2,655,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 2016 and 31 December 2015, and the results and cash flows for the years ended 2016 and 2015, 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 RMB8,272,156,000 and RMB2,051,169,000 at 31 December 2016 and 2015, 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 2016 and 2015, the fair value of the Group's interests in the subordinated tranche of those structured products is RMB 1,000,811,000 and RMB 1,689,783,000 respectively.

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.

23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	2016/12/31 RMB'000	2015/12/31 RMB'000
Associates:		
Cost of unlisted investments in associates	4,741,241	3,362,989
Share of post-acquisition profits and other comprehensive income, net of dividends received	53,628	712,604
Joint ventures:		
Cost of unlisted investments in joint ventures	3,979,115	1,063,956
Share of post-acquisition (loss)/profits and other comprehensive income, net of dividends received	(24,392)	(2,942)
	8,749,592	5,136,607

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Details of material investments accounted for using equity method:

Name of entity	Place of establishment	Equity interest held by the Group		Principal activities
		As at 31 December 2016	As at 31 December 2015	
Joint ventures				
Haitong Multi-Tranche Investment Fund II S.P. (note)	Cayman Islands	60.20%	42.67%	Investment holding
HT Freedom Multi-Tranche Bond Fund (note)	Cayman Islands	28.65%	–	Investment holding
Associates				
富國基金管理有限公司 Fullgoal Fund Management Co. Ltd.*	PRC	27.775%	27.775%	Provision of fund trading distribution services
吉林省現代農業和新興產業投資基金有限公司 Jilin Modern Agricultural and Emerging Markets Investment Fund Limited*	PRC	37.51%	37.51%	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	37%	37%	Investing in securities
上海文化產業股權投資基金合伙企業(有限合伙) Shanghai Cultural Industries Investment Fund (Limited Partnership)*	PRC	42.83%	42.83%	Investing in securities
上海併購股權投資基金合伙企業(有限合伙) Shanghai Equity Investment Fund Limited Partnership*	PRC	33.68%	33.68%	Investing in securities
海通(吉林)現代服務業創業投資基金合伙企業(有限合伙) Haitong (Jilin) Modern Service Industry Investment Fund Limited Partnership*	PRC	34.71%	34.71%	Investing in securities
西安海創之星創業投資有限合伙企業 Xi'an Hai Chuang Zhi Xing Venture Investment Limited Partnership*	PRC	37.9%	37.9%	Investing in securities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Name of entity	Place of establishment	Equity interest held by the Group		Principal activities
		As at 31 December 2016	As at 31 December 2015	
Associates (continued)				
海通興泰(安徽)新興產業投資基金(有限合伙) Haitong Xingtai (Anhui) Emerging Industry Investment Fund Limited Partnership*	PRC	28.67%	28.67%	Investing in equity; Investment management services
海通齊東(威海)股權投資基金合伙企業(有限合伙) Haitong Qidong (Weihai) Equity Investment Fund Limited Partnership	PRC	33.96%	–	Investing in equity, Investment management services
廣東南方媒體融合發展投資基金(有限合伙) Guangdong South Media Integration Fund Limited Partnership	PRC	27.76%	–	Investing in equity, Investment management services
海通(吉林)股權投資基金合伙企業(有限合伙) Haitong (Jilin) Equity Investment Fund Limited Partnership	PRC	27.02%	–	Private equity funds investment
上海彤關投資管理合伙企業(有限合伙) Shanghai Tong Guan Investment Management Limited Partnership	PRC	50.00%	–	Investing in equity, Investment management services
西安軍融電子衛星基金投資有限公司 Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd	PRC	35.72%	–	Investment management services

* The English translated name is for identification only.

All of these 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 year, the Group has fully disposed of its units holding in About Capital Asian Special Opportunities Fund (formerly known as Haitong-AC Asian Special Opportunity Fund) and Haitong China Select Investment Fund S.P. (collectively referred to the "Funds") through the secondary market that the share of results of the Funds from 1 January 2016 up to the date of disposal amounted to RMB 154 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

As of 31 December 2016, the Group held the interests of non-participating shares of Haitong Freedom Multi-Tranche Bond Fund and Haitong Multi-Tranche Investment Fund II S.P. (collectively referred to the "Funds") as disclosed above that the non-participating shares provide the Group with the share of returns from the Funds but not any decision making power nor any voting right in daily operation of the Funds. As of 31 December 2016, the Group held 50% of the management shares in the Funds and the other 50% management shares are held by an independent third party. The management shareholders 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. As such, the interests of the Group in the Fund are classified as a joint venture.

There is no unfilled capital commitment to the Funds. The current carrying amount of RMB 3,186 million (31 December 2015: Nil) for Haitong Freedom Multi-Tranche Bond Fund and RMB 609 million (31 December 2015: RMB 514 million) of Haitong Multi-Tranche Investment Fund II S.P. in the consolidated statement of financial position represents the Group's maximum exposure.

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

	2016/12/31 <i>RMB'000</i>	2015/12/31 <i>RMB'000</i>
Total assets	4,289,660	4,619,040
Total liabilities	1,835,146	2,098,449
Net assets	2,454,514	2,520,591
Total revenue	2,469,505	3,339,163
Net profit	751,903	1,167,004
Total comprehensive income	707,923	1,203,085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

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

	2016/12/31 <i>RMB'000</i>	2015/12/31 <i>RMB'000</i>
Equity attributable to equity holders of the associate	2,454,514	2,520,591
Proportion of equity interests held by the Group	27.775%	27.775%
Other adjustments	–	–
Carrying amount	681,741	700,094

Aggregate information of associates and joint ventures that are not individually material:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
The Group's share of profit	(8,406)	157,310
The Group's share of other comprehensive income	86,478	69,353
The Group's share of total comprehensive income	78,071	226,663
Aggregate carrying amount of the Group's interests in these associates and joint ventures	8,067,851	4,436,513

24. FINANCE LEASE RECEIVABLES

	2016/12/31 <i>RMB'000</i>	2015/12/31 <i>RMB'000</i>
Minimum lease payments to be received	42,203,604	31,779,770
Less: unrealized finance income	(4,336,324)	(3,578,301)
Balance of finance lease receivables	37,867,280	28,201,469
Less: Allowance for impairment	(1,312,060)	(807,582)
Finance lease receivables, net	36,555,220	27,393,887
Analysis by statement purpose:		
Current assets	14,519,336	9,921,752
Non-current assets	22,035,884	17,472,135
	36,555,220	27,393,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

24. FINANCE LEASE RECEIVABLES (continued)

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

	2016/12/31		2015/12/31	
	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	16,758,152	15,036,290	11,560,347	10,258,688
1~2 years	12,958,310	11,626,873	8,583,385	7,616,923
2~3 years	7,614,175	6,831,836	6,468,544	5,740,207
Over 3 years	4,872,967	4,372,281	5,167,494	4,585,651
Total	42,203,604	37,867,280	31,779,770	28,201,469
Unrealized finance income	(4,336,324)	N/A	(3,578,301)	N/A
Balance of finance lease receivables	37,867,280	37,867,280	28,201,469	28,201,469
Allowance for impairment	(1,312,060)	(1,312,060)	(807,582)	(807,582)
Finance lease receivables, net	36,555,220	36,555,220	27,393,887	27,393,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

24. FINANCE LEASE RECEIVABLES (continued)

Analysis by industries

	2016/12/31		2015/12/31	
	Carrying amount RMB '000	Percentage (%)	Carrying amount RMB '000	Percentage (%)
Public service	13,778,353	32.65	13,516,248	42.53
Motor vehicles	8,944,127	21.19	1,825,687	5.74
Industrial equipment	6,942,224	16.45	6,507,240	20.48
Healthcare	3,818,979	9.05	5,033,923	15.84
Building construction	2,399,523	5.69	402,654	1.27
Energy saving and environmental protection	1,528,181	3.62	611,620	1.92
Agricultural and forestry machinery	1,460,060	3.46	947,483	2.98
Electronics	1,314,120	3.11	759,626	2.39
Printing & packaging	827,871	1.96	1,563,042	4.92
Others	1,190,166	2.82	612,247	1.93
Total	42,203,604	100.00	31,779,770	100.00
Unrealized finance income	(4,336,324)		(3,578,301)	
Balance of finance lease receivables	37,867,280		28,201,469	
Allowance for impairment	(1,312,060)		(807,582)	
Finance lease receivables, net	36,555,220		27,393,887	

Allowance for impairment

	2016/12/31			2015/12/31		
	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	125,571	682,011	807,582	56,299	269,598	325,897
Addition during the year	224,213	291,674	515,887	235,800	412,908	648,708
Recoveries of amount written-off in previous years	-	-	-	21,143	-	21,143
Written off during the year	(11,409)	-	(11,409)	(187,671)	(495)	(188,166)
As at the end of the year	338,375	973,685	1,312,060	125,571	682,011	807,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 Group classified its investment funds as available-for-sale investments, financial assets at fair value through profit or loss and other loans and receivables as appropriate. The carrying amount of the Group's interest in unconsolidated structured entities amounted to RMB 4,797,000,000 and RMB 5,203,000,000 as at 31 December 2016 and 31 December 2015, respectively, which approximates the maximum risk exposure of the Group, and related fee income from those structured entities is RMB 1,125,000,000 and RMB 940,000,000 respectively.

26. AVAILABLE-FOR-SALE INVESTMENTS

	2016/12/31 RMB'000	2015/12/31 RMB'000
Debt securities	12,563,689	4,139,703
Equity securities	11,639,952	8,283,949
Funds	7,339,981	5,778,489
Others (Note iii)	26,485,216	26,288,210
	58,028,838	44,490,351
Analysed as:		
Listed in Hong Kong	770,025	6,204
Listed outside Hong Kong (primarily in the PRC)	10,831,690	6,843,896
Unlisted	46,427,123	37,640,251
	58,028,838	44,490,351
Analysed as:		
Listed equity securities (Note ii)	5,277,291	3,786,437
Unlisted equity securities (Note i)	6,362,661	4,497,512
	11,639,952	8,283,949
Analysed for reporting purpose as:		
Current assets	12,758,905	11,045,127
Non-current assets	45,269,933	33,445,224
	58,028,838	44,490,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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). The directors of the Group are of the opinion that equity securities which fair value cannot be measure reliably, are measured at cost less impairment at the reporting date. Other equity securities are measured at fair value.
- (ii) Included in the Group's listed equity securities are amounts of approximately RMB 1,646,561,000 and RMB 3,252,221,000 as at 31 December 2016 and 31 December 2015, respectively, which are restricted shares 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 HKD 2,100,000,000 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 HKD 500,000,000 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 HKD 500,000,000 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.

Pursuant to the agreements the Company entered into with China Securities Finance Corporation Limited (the "CSFCL"), the Company contributed RMB 15 billion and RMB 4.457 billion to the CSFCL accounts on July 6 2015 and September 1 2015, respectively. CSFCL executes unified operation and investment management over these accounts, while all the investors including the Company share investment risks as well as potential income in proportion to their contributions. Considering the nature, purpose, of such investments managed by CSFCL, which is different to the Group's own proprietary trading equity investments, the Company concluded that as at 31 December 2016, there was no significant or prolonged decline in the fair value of such investments, and accordingly no impairment loss was recognized.

In the opinion of the directors of the Company, non-current available-for-sale investments are expected to be realised or restricted for sale over one year from the end of the respective reporting periods.

As at 31 December 2016 and 31 December 2015, 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 RMB 4,165,000 and RMB 12,262,000 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.

RMB 6,179,196,000 and RMB 12,528,548,000 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).

As at 31 December 2016, the impairment allowance of available-for-sale equity instruments was RMB 564,914,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

27. OTHER LOANS AND RECEIVABLES

	2016/12/31	2015/12/31
	RMB'000	<i>RMB'000</i>
Trust products	876,743	2,425,390
Structured products	25,552,523	10,270,891
Debt investment	7,269,300	3,448,861
Factoring receivable	3,873,072	1,145,727
Entrusted loan	899,781	901,532
	38,471,419	18,192,401
Analysed for reporting purpose as:		
Current assets	32,787,054	13,524,326
Non-current assets	5,684,365	4,668,075
	38,471,419	18,192,401

28. HELD-TO-MATURITY INVESTMENTS

	2016/12/31	2015/12/31
	RMB'000	<i>RMB'000</i>
Debt securities listed in Hong Kong	83,509	82,733
Analysed for reporting purpose as:		
Current assets	–	4,986
Non-current assets	83,509	77,747
	83,509	82,733

As at 31 December 2016, the fair value of the held-to-maturity investments was approximately RMB 82,697,000 (2015: RMB 81,987,000). The related interest rates on such bonds for the year ended 31 December 2016 is 4.1% per annum (2015: between 4.1% – 9.75% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

29. OTHER ASSETS

	2016/12/31 RMB'000	2015/12/31 RMB'000
Foreclosed assets	51,993	52,765
Prepaid lease payments	14,501	15,004
Others	252,713	117,176
	319,207	184,945

30. ADVANCES TO CUSTOMERS ON MARGIN FINANCING

	2016/12/31 RMB'000	2015/12/31 RMB'000
Loans to margin clients (Note)	63,410,640	76,459,449
Other advances to customers	–	–
Less: Allowance for doubtful debts (Note)	(197,720)	(134,482)
	63,212,920	76,324,967
Analysed for reporting purpose as:		
Current	63,212,920	76,324,967
Non-current	–	–
	63,212,920	76,324,967

Movements in the allowance for doubtful debts are as follows:

	2016/12/31 RMB'000	2015/12/31 RMB'000
At beginning of the year	134,482	115,221
Provision of impairment allowance, net	62,843	19,261
Exchange adjustments	395	–
At end of the year	197,720	134,482

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30. ADVANCES TO CUSTOMERS ON MARGIN FINANCING (continued)

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 2016 and 31 December 2015 were secured by the customers' securities to the Group as collateral with undiscounted market value of approximately RMB 222,238,904,000 and RMB 281,073,316,000, respectively.

As at 31 December 2016 and 31 December 2015, included in the Group's accounts payable to brokerage clients were approximately RMB 6,179,196 thousand and RMB 12,528,548 thousand 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 aging 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.

31. ACCOUNTS RECEIVABLE

	2016/12/31 RMB'000	2015/12/31 RMB'000
Accounts receivable from:		
– Cash clients	324,699	855,720
– Brokers, dealers and clearing house	5,512,817	4,667,907
– Advisory and financial planning	3,375	7,419
– Asset and fund management	621,846	491,511
– Others	482,631	248,378
	6,945,368	6,270,935
Less: allowance for doubtful debts on accounts receivable	(15,831)	(7,067)
	6,929,537	6,263,868
	2016/12/31 RMB'000	2015/12/31 RMB'000
At beginning of the year	7,067	37,315
Addition during the year	(1,376)	4,267
Recoveries of other receivables previously written off	10,140	(34,515)
At end of the year	15,831	7,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

31. ACCOUNTS RECEIVABLE (continued)

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

	2016/12/31 RMB'000	2015/12/31 RMB'000
Between 0 and 3 months	5,776,157	5,253,075
Between 4 and 6 months	51,333	38,512
Between 7 and 12 months	670,895	469,788
Over 1 year	431,152	502,493
	6,929,537	6,263,868

32. OTHER RECEIVABLES AND PREPAYMENTS

	2016/12/31 RMB'000	2015/12/31 RMB'000
Interest receivable	7,422,060	2,292,693
Dividend receivable	21	22
Other receivables and prepayments (Note ii)	3,268,530	1,344,835
	10,690,611	3,637,550
Less: allowance for doubtful debts on other receivables (Note i)	(461,809)	(483,187)
	10,228,802	3,154,363

Movements in the allowance for doubtful debts are as follows:

	2016/12/31 RMB'000	2015/12/31 RMB'000
At beginning of the year	483,187	486,027
Reversal of impairment allowance, net	(21,668)	(9,408)
Recoveries of other receivables previously written off	300	6,568
Amounts written off during the year	(10)	-
At end of the year	461,809	483,187

Notes:

- (i) Included in the allowance for doubtful debts of the Group mainly represents a gross receivable of RMB 550,000,000 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 2016, accumulated amounts of RMB 109,106,000 (2015: RMB 87,088,000) of the above receivable has been recovered. In 2016, amounts of RMB 22,018,000 (2015: RMB 0) 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, other prepaid expenses for daily operation and other receivables and prepayments such as prepaid taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

33. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2016/12/31	2015/12/31
	RMB'000	<i>RMB'000</i>
Analysed by collateral type:		
Stock (Note)	54,215,365	50,798,437
Bonds	13,303,923	9,137,971
Fund	580	923
Structured products	17,183,460	17,670,000
Less: Allowance for doubtful debts	(180,103)	(138,483)
	84,523,225	77,468,848
Analysed by market:		
Stock Exchange	55,630,973	50,857,926
Inter-bank	11,888,895	9,079,405
Over the counter ("OTC")	17,183,460	17,670,000
Less: Allowance for doubtful debts	(180,103)	(138,483)
	84,523,225	77,468,848
Analysed for reporting purpose as:		
Current	63,600,363	60,245,770
Non-current	20,922,862	17,223,078
	84,523,225	77,468,848

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 2016, for the Group, the fair value of these agreements within one year was RMB 34,201,058,000 (2015: RMB 34,332,913,000), the fair value of these agreements over one year was RMB 20,014,307,000 (2015: RMB 16,465,524,000);

As of 31 December 2016, the fair value of the collateral was RMB 200,968,044,000 (2015: RMB 215,037,612,000).

34. PLACEMENTS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2016/12/31	2015/12/31
	RMB'000	<i>RMB'000</i>
Overseas bank and other financial institutions	705,848	184,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016/12/31 RMB'000	2015/12/31 RMB'000
Debt securities	53,332,885	40,260,638
Equity securities	14,537,635	17,786,575
Funds	17,054,943	48,573,634
Others	7,422,031	3,819,559
	92,347,494	110,440,406
Analysed as:		
Listed in Hong Kong	5,309,887	2,728,274
Listed outside Hong Kong (primarily in the PRC)	42,743,537	36,269,398
Unlisted (<i>Notes i, ii</i>)	44,294,070	71,442,734
	92,347,494	110,440,406
Analysed for reporting purpose as:		
Current assets	92,347,494	102,665,873
Non-current assets (<i>Note ii</i>)	–	7,774,533
	92,347,494	110,440,406

Notes:

- (i) Unlisted financial assets at fair value through profit or loss of the Group include unlisted bond, funds and structured products. 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.

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 2016, 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 RMB 13,939,000 (2015:RMB 29,149,000) 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 2016

36. DEPOSITS WITH EXCHANGES

	2016/12/31 RMB'000	2015/12/31 RMB'000
Deposits with stock exchanges		
– Shanghai Stock Exchange	437,579	442,017
– Shenzhen Stock Exchange	85,285	173,740
– National Equities Exchange and Quotations	2,662	1,565
– Stock Exchange of Hong Kong Limited	1,342	1,257
Subtotal	526,868	618,579
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	2,166,039	1,492,788
– Dalian Commodity Exchange	808,344	479,161
– Zhengzhou Commodity Exchange	259,596	266,437
– China Financial Futures Exchange	3,340,775	2,118,844
– Shanghai Gold Exchange	7,665	329
– HKFE Clearing Corporation Limited	6,087	2,658
– The Chinese Gold & Silver Exchange Society	614	575
– Collateral deposits placed with overseas stock exchange and brokers	1,527,605	2,033,056
Subtotal	8,116,725	6,393,848
Guarantee fund paid to Shanghai Stock Exchange	23,864	137,104
Guarantee fund paid to Shenzhen Stock Exchange	30,528	112,233
Deposit with China Securities Finance Corporation Ltd.	121,761	40,709
Deposit with Shanghai Clearing House	21,126	10,845
Guarantee fund paid to the SEHK Options Clearing House Ltd.	5,914	5,270
Guarantee fund paid to Hong Kong Securities Clearing Company Ltd.	49,189	67,873
Guarantee fund paid to Securities and Futures Commission	313	293
Others	55,743	171,875
Subtotal	308,438	546,202
Total	8,952,031	7,558,629
Analysed for reporting purpose as:		
Current assets	7,359,343	5,275,772
Non-current assets	1,592,688	2,282,857
	8,952,031	7,558,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37. CLEARING SETTLEMENT FUNDS

	2016/12/31 RMB'000	2015/12/31 RMB'000
Clearing settlement funds held with clearing houses for:		
Own	2,866,007	1,535,190
Customer	9,325,892	14,211,926
	12,191,899	15,747,116

These clearing settlement funds are held by the clearing houses for the Group and can be withdrawn by the Group at will. These balances carry interest at prevailing market interest rates.

38. BANK BALANCES AND CASH

	2016/12/31 RMB'000	2015/12/31 RMB'000
General accounts	32,492,200	51,834,566
Cash held on behalf of clients (Note i)	87,496,620	112,066,661
	119,988,820	163,901,227
Less: non-current restricted bank deposits (Note ii)	(771,029)	(710,007)
	119,217,791	163,191,220

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 deposit and margin deposits over one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

39. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2016/12/31 <i>RMB'000</i>	2015/12/31 <i>RMB'000</i>
Bank balances and cash - general account	32,492,200	51,834,566
Less: Restricted bank deposits (<i>Note</i>)	(1,789,188)	(1,901,595)
Deposits with other banks	761,628	276,425
Clearing settlement funds - the Group	2,866,007	1,535,190
	34,330,647	51,744,586

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

	2016/12/31 <i>RMB'000</i>	2015/12/31 <i>RMB'000</i>
Deposits with central banks other than legal reserve	260,201	832,047
Legal reserve	14,102	2,838
	274,303	834,885
Deposits with other banks	761,628	276,425
	1,035,931	1,111,310

Note: As at 31 December 2016, the subsidiary of Group has amount approximately to RMB 274,303,000 deposits with central banks. The whole balance is repayable on demand. The deposits are non-interesting bearing and approximately to RMB 14,102,000 of the deposits is legal reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

41. LOANS AND ADVANCES

	2016/12/31 RMB'000	2015/12/31 RMB'000
Customer loans and advances	7,475,938	9,637,493
Less: Loans with impairment losses calculated on a collective basis	(21,194)	(27,565)
Less: Loans with impairment losses calculated on an individual basis	(1,842,455)	(2,284,652)
	5,612,289	7,325,276
Analysed for reporting purpose as:		
Current assets	470,655	1,676,977
Non-current assets	5,141,634	5,648,299
	5,612,289	7,325,276

42. DEPOSITS FROM OTHER BANKS

	2016/12/31 RMB'000	2015/12/31 RMB'000
Deposits from banks	14,586	2,668

43. CUSTOMER ACCOUNTS

	2016/12/31 RMB'000	2015/12/31 RMB'000
Demand deposits – corporate	134,728	64,987
Time deposits – corporate	4,376,874	2,743,832
Demand deposits – private	1,896	1,348
Time deposits – private	244,075	8,992
	4,757,573	2,819,159
Analysed for reporting purpose as:		
Current	4,757,573	2,098,115
Non-current	–	721,044
	4,757,573	2,819,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

44. BORROWINGS

	2016/12/31	2015/12/31
	RMB'000	<i>RMB'000</i>
Secured borrowings:		
Short-term borrowings (<i>Note</i>)	9,957,771	11,837,110
Long-term borrowings (<i>Note</i>)	20,650,430	15,370,705
Unsecured borrowings:		
Short-term borrowings	28,606,996	12,416,410
Long-term borrowings	1,993,358	990,279
	61,148,555	40,614,504
Current liabilities:		
Short-term borrowings	38,564,767	24,253,520
Long-term borrowings due within one year	8,094,346	7,030,977
	46,659,113	31,284,497
Non-current liabilities:		
Long-term borrowings	14,489,442	9,330,007
	61,148,555	40,614,504

Note: Bank loans of approximately to RMB 694 million (31 December 2015: 649 million) are secured by bonds with fair value of approximately to RMB 750 million.

Bank loans of approximately to RMB 201 million (31 December 2015: 201 million) are secured by RMB 200 million certificate of time deposit and margin deposit of 0.02 million.

Bank loans of approximately to RMB 518 million (31 December 2015: nil) are secured by fixed term deposit of RMB 550 million.

Current bank loan of approximately to RMB 104 million (31 December 2015: nil) are secured by bonds with fair value of approximately to RMB 165 million.

Bank loans of RMB converted to 4,498 million (31 December 2015: approximately to RMB 5,802 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 RMB 16,255 million at fair value (31 December 2015: approximately to RMB 16,548 million) and the remaining amount is secured by the unlisted debt investments and unlisted structured products of RMB 1,838 million (31 December 2015: nil) held by the Group and presented in "financial assets designed at fair value through profit or loss" to the consolidated statement of financial position.

Bank loans of RMB 1,610 million (31 December 2015: RMB 1,508 million) are secured by the investment fund of RMB 1,964 million at fair value (31 December 2015: RMB 1,701 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

44. BORROWINGS (CONTINUED)

Note: (Continued)

Bank loans of current portion approximately to RMB 2,546 million (31 December 2015: approximately to RMB 2,392 million) and non-current portion approximately to RMB 1,938 million (31 December 2015: RMB 1,882 million) are secured by the shares of Haitong UT Capital and Haitong Bank respectively.

Non-current portion bank loan of RMB 8,254 million (31 December 2015: RMB 5,843 million) and current portion bank loan of RMB 8,719 million (31 December 2015: RMB 7,026 million) are secured by the finance leases receivable of RMB 26,283 million (31 December 2015: RMB 21,452 million).

Non-current portion bank loan of RMB 1,526 million (31 December 2015: Nil) is secured by listed debt securities of approximately RMB 1,387 million at fair value.

45. SHORT-TERM FINANCING BILLS PAYABLES

	2016/12/31 RMB'000	2015/12/31 RMB'000
Analysed as:		
Stock Exchange	–	8,000,000
Other (Note i)	19,864,117	14,336,951
	19,864,117	22,336,951

Note:

- (i) 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 short-term income certificates issued by the Company and the subsidiary of the Group with maturities ranged from 7 days to 12 months. The coupon rate of the outstanding products were between 2.9% and 12.31%.

46. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2016/12/31 RMB'000	2015/12/31 RMB'000
Placements from banks	7,509,462	7,260,352
Placements from China Securities Finance Corporation Ltd.	1,300,000	–
	8,809,462	7,260,352
Analysed for reporting purpose as:		
Current liabilities	3,210,521	1,512,362
Non-current liabilities	5,598,941	5,747,990
	8,809,462	7,260,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 2016 and 31 December 2015, included in the Group's accounts payable to brokerage clients were approximately RMB 6,179,196 thousand and RMB 12,528,548 thousand 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.

48. OTHER PAYABLES AND ACCRUALS

	2016/12/31 RMB'000	2015/12/31 RMB'000
Accrued staff cost (Note i)	4,722,531	4,738,366
Other tax payable	642,793	910,824
Dividends payable	7,536	7,536
Risk reserve	294,505	257,237
Client settlement payables	4,028,155	1,522,701
Pending payable to clearing house	181,450	1,798,608
Commission and fee payables	18,917	19,624
Finance lease guarantee deposits	585,181	445,104
Payable for leasing equipment	–	37,094
Interest payables	3,568,230	3,505,681
Amounts due to brokers	666,737	755,041
Notes payable	3,376,787	338,401
Acting underwriting securities	1,054,351	540,952
Others (Note ii)	1,437,264	1,272,730
	20,584,437	16,149,899
Analysed for reporting purpose as:		
Current liabilities	19,866,992	15,504,612
Non-current liabilities (Note i)	717,445	645,287
	20,584,437	16,149,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

48. OTHER PAYABLES AND ACCRUALS (continued)

Notes:

- (i) During the year 2016, the Group set up a detail plan for the payment of employees' bonus accrued based on the performance of current year. Amounting to RMB 395,439,000 of the Group and amounting to RMB 355,890,000 of the Company is planned to be settled after 31 December 2017 and classified as non-current liabilities.
- (ii) Others represent of the Group primarily received in advance which are non-interest bearing and are repayable within one year.

49. PROVISIONS

	2016/12/31 RMB'000	2015/12/31 RMB'000
At beginning of the year	60,611	2,493
Addition during the year	124,622	60,611
Reversal during the year	–	(2,493)
Carry down during the year	(60,611)	–
Provision	124,622	60,611

These provisions are intended to cover certain contingencies related to the Group activities, including contingencies related to ongoing tax processes.

50. DERIVATIVE INSTRUMENTS

	2016/12/31		2015/12/31	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Stock index futures contracts (Notes i)	–	–	–	–
Treasury futures contracts (Note ii)	–	–	–	–
Commodity futures contracts (Note iii)	–	–	–	–
Interest rate swap contracts (Note iv)	2,717,683	1,827,642	2,288,424	2,257,776
Equity swap (Note v)	22,927	227,880	12,783	236,348
Equity linked note	–	–	–	–
Forward contracts	125,627	263,974	213,480	505,449
Options (Note vi)	433,534	104,224	387,988	59,967
Embedded equity instruments	–	73,045	–	282
Debts linked note	526,978	–	440,407	–
Foreign exchange swap	41,788	52,558	5,576	34,282
Credit default swap	66,534	44,686	79,508	624,012
Total	3,935,071	2,594,009	3,428,166	3,718,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

50. DERIVATIVE INSTRUMENTS (continued)

Notes:

(i) 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 2016 and 31 December 2015. Accordingly, the net position of the SIF contracts in derivative instruments was nil at the end of reporting period. 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 RMB 34,059,000 (2015: RMB 88,541,000) with fair value loss RMB 806,000 (2015: fair value gain RMB 30,000). The fair value of the stock index futures contracts that the Group held for hedging the market risk of the securities lent or to be lent to clients is nil (2015: fair value loss RMB 160,725,000).

(ii) Treasury futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures ("TF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2016 and 31 December 2015. Accordingly, the net position of the TF contracts in derivative instruments was nil at the end of reporting period.

Contract	2016/12/31	
	Contract value RMB'000	Fair value RMB'000
TF1703	178,839	215
TF1703	1,023,357	16,963
TF1706	4,927	(55)
Total	1,207,123	17,123
Plus: settlement		(17,123)
Net position of TF contracts		—

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)
Total	3,617,090	(34,842)
Plus: settlement		34,842
Net position of TF contracts		—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

50. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

(iii) Commodity futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in commodity futures were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2016. Accordingly, the net position of the commodity futures contracts in derivative instruments was nil at the end of reporting period.

Contract	2016/12/31	
	Contract value RMB'000	Fair value RMB'000
AU1706	162,210	326
Total	162,210	326
Plus: settlement		(326)
Net position of commodity contracts		–

(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 2016. Accordingly, the net position of the IRS contracts in derivative instruments was nil at the end of reporting period. As at 31 December 2016, under the daily mark-to-market and settlement arrangement, the contract values of the Group's IRS contracts are approximately RMB 24,547,000,000. (2015: RMB 21,311,000,000).

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 2016, 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 RMB 46,210,884,000. (2015: RMB 69,109,989,000).

	2016/12/31		
	Contract value RMB'000	Assets RMB'000	Liabilities RMB'000
IRS – settle in Shanghai Clearing House	24,547,000	–	(9,536)
IRS – non-centralized settlement	46,210,884	2,717,683	(1,827,642)
Total	70,757,884	2,717,683	(1,837,178)
Plus: settlement		–	9,536
Net position of IRS contracts		2,717,683	(1,827,642)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

50. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

(v) Equity swap

At 31 December 2016, The Group held notional principal approximately in amount of RMB 1,137,820,000 (2015: RMB 1,136,450,000).

(vi) Options

As at 31 December 2016, the notional principal amounts of the Group's options in mainland China are approximately RMB 438,380,766,000 with fair value loss of RMB 45,770,000 (2015: RMB 252,358,936,000 with fair value loss of RMB 13,905,000). The notional principal amounts of the Group's listed options in Hong Kong are approximately RMB 67,846,691,000 with fair value gain of RMB 375,105,000 (2015: RMB 3,262,423,000 with fair value gain of RMB 341,926,000).

51. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016/12/31 RMB'000	2015/12/31 RMB'000
Financial liabilities held for trading	8,492,151	2,123,624
Designated as financial liabilities at fair value through profit or loss (FVTPL)- consolidation of structured entities	12,655,009	16,882,364
Designated as financial liabilities at fair value through profit or loss (FVTPL)-Structured products (Note ii)	13,058,951	6,975,411
Designated as financial liabilities at FVTPL –Gold lending (Note i)	4,433,520	5,044,213
	38,639,631	31,025,612
Analysed for reporting purpose as:		
Current (Note iii)	38,063,861	24,837,241
Non-current	575,770	6,188,371
	38,639,631	31,025,612

Notes:

- (i) As at 31 December 2016, 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.

- (ii) As at 31 December 2016, 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

52. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2016/12/31	2015/12/31
	RMB'000	RMB'000
Analysed as collateral type:		
Stock	–	998,382
Bonds	32,995,727	29,633,244
Loans and advances to customers and finance lease receivables	10,736,000	67,944,910
	43,731,727	98,576,536
Analysed by market:		
Stock Exchange	8,876,743	6,787,085
Inter-bank market	24,118,984	22,846,158
OTC	10,736,000	68,943,293
	43,731,727	98,576,536
Analysed for reporting purpose as:		
Current	43,638,525	90,951,854
Non-current	93,202	7,624,682
	43,731,727	98,576,536

As of 31 December 2016, the above financial assets sold under repurchase agreements include those bond repurchase agreements entered into with qualified investors, which amounted to RMB 290,193,000 (31 December 2015: RMB 8,390,140,000) for the Group, which amounted to RMB 290,193,000 (31 December 2015: RMB 8,254,843,000) matured within 3 months, amounted to nil (31 December 2015: RMB 41,575,000) matured with 3 months to 1 year, and amounted to nil (31 December 2015: RMB 93,722,000) 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 2016

52. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

As at 31 December 2016 and 31 December 2015, 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 2016

	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	29,246,049	1,427,026	-	5,609,655	6,366,163	-	3,999,542	46,648,435
Carrying amount of associated liabilities	28,079,631	1,151,866	-	5,520,000	5,377,050	-	3,603,180	43,731,727
Net position	1,166,418	275,160	-	89,655	989,113	-	396,362	2,916,708

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 RMB 1.0 per share:						
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, At 1 January 2016	8,092,131	8,092,131	3,409,569	3,409,569	11,501,700	11,501,700
At 31 December 2016	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 RMB 1 per share at issuing price of HKD 17.18 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 RMB 1,916,979,000 was recorded in "Share Capital" and RMB 24,071,378,000 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:

	2016/12/31 RMB'000	2015/12/31 RMB'000
Deferred tax assets	2,773,812	2,516,143
Deferred tax liabilities	(557,472)	(665,909)
	2,216,340	1,850,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 RMB'000	Accelerated depreciation RMB'000	Derivative assets RMB'000	Accrued but not paid expenses RMB'000	Available-for-sale investments RMB'000	Derivative liabilities RMB'000	Provision of Loans and receivables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	(532,526)	(9,689)	(685)	258,830	(160,548)	107,374	141,463	4,401	(191,380)
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
At 31 December 2015	(213,577)	(17,233)	67,555	1,016,320	(256,750)	139,860	996,628	117,431	1,850,234
Arising from the acquisition of a subsidiary	-	-	-	-	-	-	-	-	-
Credit (charge) to profit or loss	182,965	1,834	(124,381)	(62,431)	3,130	(102,121)	80,507	180,314	159,817
Credit to other	-	-	-	-	123,540	-	-	-	123,540
Effects of exchange rate	297	(1,161)	4,599	4,434	4,417	-	62,013	8,150	82,749
At 31 December 2016	(30,315)	(16,560)	(52,227)	958,323	(125,663)	37,739	1,139,148	305,895	2,216,340

55. BONDS PAYABLE

	2016/12/31 RMB'000	2015/12/31 RMB'000
Convertible bonds (Note i)	3,401,402	112,592
Non-convertible bonds (Notes ii, iii, iv)	69,445,196	52,896,037
Subordinated notes (Notes v)	41,875,847	35,851,697
Asset backed securities (Notes vi)	3,008,084	1,092,972
Others (Notes vii)	10,564,663	10,646,110
	128,295,192	100,599,408
Analysed for reporting purpose as:		
Current	11,103,335	10,793,748
Non-current	117,191,857	89,805,660
	128,295,192	100,599,408

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

55. BONDS PAYABLE (continued)

Notes:

- (i) Group's subsidiary Haitong International Securities Group Limited ("HISGL") has issued convertible bonds in principal amount of HKD 1,008 million (equivalent to RMB 902 million) and HKD 1,164 million (equivalent to RMB 1,041 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 2016, the conversion prices of convertible bonds issued by HISGL in 2013 and 2014 are adjusted to HKD 2.87 (equivalent to RMB 2.57) per share (31 December 2015: HKD 2.95 (equivalent to RMB 2.47) per share) and HKD 4.80 (equivalent to RMB 4.29) per share (31 December 2015: HKD 4.92 (equivalent to RMB 4.12) per share) after the issue of new shares on 1 November 2016 under interim dividend of HKD 0.75 (equivalent to RMB 0.67) per share for the six months ended 30 June 2016 in form of scrip dividend.

During the year ended 31 December 2016, no convertible bonds issued by Haitong International Securities in 2013 and 2014 were converted into ordinary shares of Haitong International Securities (2015: HKD 681 million (equivalent to RMB 571 million) and HKD 1,027 million (equivalent to RMB 860 million)).

Group's subsidiary Haitong International Securities Group Limited ("HISGL") has issued listed zero-coupon convertible bonds in principal amount of HKD 3,880 million (equivalent to RMB 3,471 million) in 2016 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.

- (ii) On 11 September 2014, the Group's wholly owned subsidiary Haitong International Finance 2014 Limited issued guaranteed bonds in principal amount of USD 600 million (equivalent to RMB 4,162 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 USD 700 million (equivalent to RMB 4,856 million). Please refer to the announcements made by HISGL on 22, 23 and 29 January 2015 for details of the bond.

On 29 October 2013, the Group's subsidiary Haitong International Finance Holdings Limited issued corporate bonds in principal amount of USD 900 million (equivalent to RMB 6,243 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 USD 670 million (equivalent to RMB 4,648 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

55. BONDS PAYABLE (continued)

Notes: (continued)

(ii) (continued)

On 18 May 2016, the Group's wholly owned subsidiary Haitong International Finance Holdings 2015 Limited issued guaranteed bonds in principal amount of EUR 100 million (equivalent to RMB 731 million). The bond carries a fixed annual interest rate of 1.6% with a maturity period of 5 years. The bond is guaranteed by the company.

On 26 May 2016, the Group's wholly owned subsidiary Haitong International Finance Holdings 2015 Limited issued guaranteed bonds in principal amount of EUR 120 million (equivalent to RMB 877 million). The bond carries a fixed annual interest rate of 1.6% with a maturity period of 5 years. The bond is guaranteed by the company.

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 RMB 200 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 RMB 2,000 million. Among which, notes amounting to RMB 1,400 million carries a fixed interest rate of 4.25% per annum with a maturity period of five years and notes amounting to RMB 600 million carries a fixed interest rate of 3.9% per annum with a maturity period of three years.

(iii) On 25 November 2013, the Company issued non-convertible bonds in principal amount of RMB 12 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 RMB 7.26 billion, which have been repaid, RMB 2.35 billion and RMB 2.39 billion and bear interest rate at 6.05% per annum, 6.15% per annum and 6.18% per annum, respectively. The bonds with maturity terms of three years have been repaid.

On 14 July 2014, the Company issued non-convertible bonds in principal amount of RMB 11 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 RMB 5.65 billion, RMB 4.55 billion and RMB 0.8 billion and bear interest rate at 5.25% per annum, 5.45% per annum and 5.85% per annum, respectively.

On 18 May 2016, the Company issued non-convertible bonds in principal amount of RMB 20 billion at par. Those bonds carry fixed interest rate with maturity terms of four years and five years, respectively. The principal amounts are RMB 15 billion and RMB 5 billion and bear interest rate at 3.6% per annum and 3.8% per annum, respectively. The Company has an option to redeem all or some of the four-year bonds at the end of third year.

(iv) During the year ended 31 December 2016, Group's subsidiary HISGL has issued several medium term notes under HISGL's Medium Term Note Programme (the "MTN Programme") in principal amount totalling HKD 2,328 million (equivalent to RMB 2,082 million) with a maturity period of 1 to 3 years and repaid several medium term notes of principal amount totalling HKD 2,087 million (equivalent to RMB 1,867 million). As at 31 December 2016, the outstanding loan balances of HKD 2,548 million (equivalent to RMB 2,279 million) (31 December 2015: HKD 2,462 million (equivalent to RMB 2,063 million)) represent the unsecured and unguaranteed non-convertible notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

55. BONDS PAYABLE (continued)

Notes: (continued)

(iv) (continued)

Debt securities issued includes an amount of EUR 314,215 thousand (equivalent to RMB 2,295,906 thousand) (2015: EUR 466,960 thousand (equivalent to RMB 3,313,174 thousand)) of liabilities accounted for in the statement of financial position at fair-value through profit and loss. During 2016, the Haitong Bank Group issued debt securities amounting to EUR 31,063 thousand (equivalent to RMB 226,971 thousand) (2015: EUR 115,777 thousand (equivalent to RMB 821,460 thousand)) and reimbursed EUR 201,420 thousand (equivalent to RMB 1,471,736 thousand) (2015: EUR 547,980 thousand (equivalent to RMB 3,888,027 thousand)).

On 30 May 2014 and 18 September 2014, the Group's wholly owned subsidiary Uican Limited issued medium-term note in principal amount of RMB 500 million and RMB 1,600 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 RMB 400 million at par with a maturity period of 3 years.

On 2 July 2015, the Group's wholly owned subsidiary Uican Limited issued medium term note in principal amount of RMB 1,000 million which carries a fixed annual interest with a maturity period of 3 years.

On 19 January 2016, the Group's wholly owned subsidiary Uican Limited issued medium term note in principal amount of RMB 400 million which carries a fixed annual interest rate of 3.6% with a maturity period of 3 years.

On 3 June 2016, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued medium term note in principal amount of RMB 600 million which carries a fixed annual interest rate of 4.07% with a maturity period of 5 years (3+2). The issuer has an option to adjust the interest rate and the investors have an option to sale the notes back to the issuer at the end of the third year.

On 15 July 2016, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued medium term note in principal amount of RMB 600 million which carries a fixed annual interest rate of 3.7% with a maturity period of 5 years (3+2). The issuer has an option to adjust the interest rate and the investors have an option to sale the notes back to the issuer at the end of the third year.

On 28 September 2016, the Group's wholly owned subsidiary Uican Limited issued medium term note in principal amount of USD 64 million (equivalent to RMB 444 million) with a maturity period of 35 months. Note in amount of USD 24 million (equivalent to RMB 166 million) carries a fixed annual interest rate of 2.90%, and note in amount of USD 40 million (equivalent to RMB 278 million) carries a fixed annual interest rate of 3.00%.

(v) On 8 April 2015, the Company issued subordinated notes in principal amount of RMB 15 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 RMB 20 billion at par. Among which, notes amounting to RMB 15 billion carries a fixed interest rate of 5.30% per annum with a maturity period of three years and notes amounting to RMB 5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

55. BONDS PAYABLE (continued)

Notes: (continued)

(v) (continued)

On 17 November 2016, the Company issued subordinated notes in principal amount of RMB 6 billion at par. Among which, notes amounting to RMB 4 billion carries a fixed interest rate of 3.30% per annum with a maturity period of three years and notes amounting to RMB 2 billion carries a fixed interest rate of 3.40% per annum with a maturity period of five years.

As at 31 December 2016, the book value of subordinated debt issued by Haitong Bank is nil (2015: EUR 215 thousand (equivalent to RMB 1,525 thousand)). During the years of 2016 and 2015 the bank did not issue any subordinated liabilities, having reimbursed EUR 215 thousand (equivalent to RMB 1,570 thousand) in 2016.

On 15 December 2015, the Haitong Futures Co., Ltd issued subordinated note in principal amount of RMB 500 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 RMB 1 billion at par which carries a fixed annual interest rate of 4.95% with a maturity period of 5 years.

(vi) On 7 May 2015, Haitong Unitrust Finance & Leasing Corporation issued asset-backed note in principal amount of RMB 1,362 million under the Measures for the Administration of the Filing of Asset-Backed Special Programs. As at 31 December 2016, asset-backed note of RMB 14 million was held by Haitong Unitrust Finance & Leasing Corporation.

On 22 April 2016, Haitong Unitrust Finance & Leasing Corporation issued asset-backed note in principal amount of RMB 1,200 million under the Measures for the Administration of the Filing of Asset-Backed Special Programs. As at 31 December 2016, asset-backed note of RMB 60 million was held by Haitong Unitrust Finance & Leasing Corporation.

On 15 November 2016, Haitong Unitrust Finance & Leasing Corporation issued asset-backed note in principal amount of RMB 1,500 million under the Measures for the Administration of the Filing of Asset-Backed Special Programs. As at 31 December 2016, asset-backed note of RMB 75 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 long-term income certificates issued by the company with maturities ranged from 13 months to 19 months. The coupon rate of the outstanding products were between 3.2% and 4.29%. Those products which will be settled within one year from year end are classified as the current portion of bonds payable.

The long-term income certificates issued by Haitong Innovation Security Investment Co., Ltd (“海通創新證券投資有限公司”), the subsidiary of the Group, with maturities ranged from 13 months to 25 months. The coupon rate of the outstanding products were between 4.2% and 4.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

56. LONG-TERM PAYABLES

	2016/12/31 RMB'000	2015/12/31 RMB'000
Deposits from lessees	3,312,228	2,278,606
Others	227,293	57,602
	3,539,521	2,336,208

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

57. RESERVES AND RETAINED PROFITS (continued)

(c) General reserves (continued)

For each of the years ended 31 December 2016 and 31 December 2015, the Company transferred approximately RMB 1,716,152,000 and RMB 1,351,578,000 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 RMB 5,084,740,000 and RMB 4,512,689,000 as at 31 December 2016 and 31 December 2015, 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 2016 is RMB 572,050,000 (31 December 2015: RMB 348,513,000).

(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.

58. CREDIT COMMITMENT

As at 31 December 2016, this balance can be analysed as follows:

	2016/12/31 RMB'000	2015/12/31 RMB'000
Contingent liabilities		
Guarantees and standby letters of credit	1,607,648	1,911,109
Assets pledged as collateral	2,352,350	608,531
	3,959,998	2,519,640
Commitments		
Irrevocable credit commitments	116,032	342,065
	116,032	342,065

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

58. CREDIT COMMITMENT (continued)

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 2016, assets pledged as collateral are mainly about pledged securities.

59. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Leases for the properties are negotiated for an average term of three years and rentals are fixed for an average term of three years.

At 31 December 2016 and 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	2016/12/31 RMB'000	2015/12/31 RMB'000
Within one year	227,851	271,120
In the second to fifth year, inclusive	309,846	374,264
Over five years	20,000	16,444
	557,697	661,828

The Group as lessor

The lease terms are negotiated for an average term of two years and rental are fixed accordingly.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016/12/31 RMB'000	2015/12/31 RMB'000
Within one year	12,007	14,460
In the second to fifth year, inclusive	25,009	30,663
Over five years	4,921	9,338
	41,937	54,461

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

60. CAPITAL COMMITMENT

	2016/12/31	2015/12/31
	RMB'000	<i>RMB'000</i>
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided for	79,173	56,739
Investment commitments		
– signed but not recognised	600,000	–
	679,173	56,739

Note: In September 2016, 貴州貴安金融投資有限公司, Haitong UT Capital Group Co., Limited (“海通恒信金融集團有限公司”), which are wholly owned subsidiaries directly held by the Company, and 海通恒信國際租賃有限公司, which is a subsidiary indirectly held by the Company (collectively referred to the “Joint Ventures”), have entered and set up a joint venture agreement for 貴安恒信融資租賃(上海)有限公司 (the “JV Company”), which is a limited company incorporated in China (Shanghai) Pilot Free Trade Zone (“中國(上海)自由貿易試驗區投資”). The registered capital of the JV Company is RMB 1,500 million of which 貴州貴安金融投資有限公司, Haitong UT Capital Group Co., Limited and 海通恒信國際租賃有限公司 committed to subscribe for RMB 900 million, RMB 375 million and RMB 225 million in cash respectively. In accordance with articles of association of the JV Company, the Joint Ventures shall, after the completion of the business registration of the JV Company, pay the capital contribution in accordance with the relevant policy requirements or operational needs of the JV Company.

As at 31 December 2016, the contracted commitments but not provided by Haitong UT Capital Group Co., Limited and 海通恒信國際租賃有限公司 are RMB 375 million and RMB 225 million respectively.

As of the date of the reporting, 貴州貴安金融投資有限公司, Haitong UT Capital Group Co., Limited and 海通恒信國際租賃有限公司 have injected RMB 300 million, RMB 150 million and RMB 150 million respectively. The contracted commitments but not provided by Haitong UT Capital Group Co., Limited and 海通恒信國際租賃有限公司 are RMB 225 million and RMB 75 million.

61. DIVIDENDS

	2016	2015
	RMB'000	<i>RMB'000</i>
Dividends recognised as distribution	5,175,765	2,875,425

Pursuant to the resolution of annual general meeting 2016 and 2015, the Company declared 2015 and 2014 final dividend of RMB 0.45 and RMB 0.25 per share respectively, satisfied by cash. For the proposed dividend of 2016, please refer to Note 72.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 2016 and 2015 are set out below:

For the year ended 31 December 2016

Name	Director fee RMB'000	Salary and commission, bonuses* RMB'000	Employer's contribution to pension schemes annuity plans RMB'000	Total^ RMB'000
<i>Executive Directors and Senior Management:</i>				
Zhou Jie ^{&}	–	161	43	204
Wang Kaiguo ^{&}	–	774	157	931
Qu Qiuping ^{&}	–	598	171	769
Ji Yuguang ^γ	–	538	171	709
Ren Peng ^γ	–	538	171	709
Li Xunlei ^γ	–	9,617	257	9,874
Gong Liqihui ^γ	–	6,655	43	6,698
Pei Changjiang ^γ	–	538	171	709
Wang Jianye [#]	–	4,491	257	4,748
Li Chuqian ^ε	–	4,491	257	4,748
Huang Zhenghong ^z	–	3,782	257	4,039
Chen Chunqian ^o	–	4,089	257	4,346
Zhang Xiangyang ^o	–	3,865	42	3,907
Li Jianguo ^o	–	4,455	100	4,555
Lin Yong ^o	–	15,394	100	15,494
Mao Yuxing ⁻	–	2,495	175	2,670
<i>Independent Non-executive Directors and Supervisors:</i>				
Liu Zhimin ⁺	210	–	–	210
Xiao Suining ⁺	210	–	–	210
Li Guangrong ⁺	190	–	–	190
Lv Changjiang ⁺	190	–	–	190
Zhang Ming ⁺	160	–	–	160
Feng Lun ⁺	17	–	–	17
Wang HongXiang ⁻	75	–	–	75
Xu Chao ⁻	59	–	–	59
Yang Qingzhong ^α	–	538	171	709
Qiu Xiaping [§]	–	2,240	150	2,390
Wang Meijuan [§]	–	3,307	257	3,564
Hu Hairong [§]	–	3,297	257	3,554
Song Shihao ^β	–	3,025	257	3,282
	1,111	74,888	3,721	79,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

62. DIRECTORS', SENIOR MANAGEMENT'S AND SUPERVISORS' EMOLUMENTS (continued)

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^ RMB'000
<i>Executive Directors and Senior Management:</i>				
Wang Kaiguo ^{&}	–	736	201	937
Qu Qiuping ^{&}	–	736	201	937
Ji Yuguang ^γ	–	663	201	864
Ren Peng ^γ	–	663	201	864
Li Xunlei ^γ	–	1,930	224	2,154
Gong Liqihui ^γ	–	1,930	224	2,154
Pei Changjiang ^γ	–	663	201	864
Wang Jianye [#]	–	1,728	224	1,952
Li Chuqian [€]	–	1,728	224	1,952
Jin Xiaobin ^π	–	1,008	130	1,138
Huang Zhenghong ^ζ	–	1,467	224	1,691
Li Chuqian ^Ω	–	1,500	224	1,724
Zhang Xiangyang ^Ω	–	2,978	41	3,019
Li Jianguo ^Ω	251	4,278	100	4,629
Lin Yong ^Ω	–	3,165	100	3,265
<i>Independent Non-executive Directors and Supervisors:</i>				
Liu Zhimin ⁺	120	–	–	120
Xiao Suining ⁺	120	–	–	120
Li Guangrong ⁺	120	–	–	120
Lv Changjiang ⁺	120	–	–	120
Feng Lun ⁺	120	–	–	120
Yang Qingzhong ^α	–	663	201	864
Qiu Xiaping [§]	–	1,255	224	1,479
Wang Meijuan [§]	–	1,233	224	1,457
Hu Hairong [§]	–	1,226	224	1,450
Song Shihao ^β	–	1,023	224	1,247
	851	30,573	3,817	35,241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 resigned from the Chairman, Executive Director and Secretary of the Party, Mr. Zhou Jie was appointed as Chairman, Executive Director and Secretary of the Party in October 2016. Mr. Qu Qiuping was appointed as the General Manager and Director of the Company in June 2014.

Mr. Wang Kaiguo and Mr. Qu Qiuping whose emoluments disclosed above include those for service rendered by them as Chief Executives.
- Mr. Mao Yuxing was appointed as the Chief Information Officer in September 2016 (the position is the same as Deputy General Manager).
- + 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. Lv Changjiang resigned from the position of Independent Non-executive Director of the Company in June 2016, Mr. Zhang Ming was appointed as the Non-executive Director of the Company in June 2016.
- Mr. Wang Hongxiang and Mr. Xuchao were appointed as Non-executive Directors of the Company in December 2014. Mr. Xuchao resigned from the position of Non-executive Director of the Company in July 2016.
- ° 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.
- þ Mr. Song Shihao was appointed as Supervisor of the Company in July 2015.
- ÿ 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. Li Xunlei resigned from the position of the Deputy General Manager of the Company in December 2016.
- # Mr. Wang Jianye was appointed as Chef 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.
- Σ 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 2016 and 2015, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 2016 and 2015 are as follows:

	2016	2015
	RMB'000	RMB'000
Salary and commission	3,863	10,064
Bonuses	70,462	46,650
Employer's contribution to pension schemes/annuity plans	903	708
	75,228	57,422

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 2016 and 2015.

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	2016	2015
	Population	Population
Emolument bands		
– HKD 10,500,001 to HKD 11,000,000	–	1
– HKD 11,000,001 to HKD 11,500,000	2	–
– HKD 11,500,001 to HKD 12,000,000	–	1
– HKD 12,500,001 to HKD 13,000,000	1	–
– HKD 14,000,001 to HKD 14,500,000	–	1
– HKD 15,000,001 to HKD 15,500,000	–	1
– HKD 15,500,001 to HKD 16,000,000	1	1
– HKD 16,000,001 to HKD 16,500,000	1	–
	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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.

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.

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 HKD 5 million, within any twelve-month period, are subject to shareholders’ approval in advance at a general meeting of HISGL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

2002 Share option scheme of HISGL (continued)

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 HKD 1 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.

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.

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:

	2016	Number		2015	
	Weighted	of		Weighted	Number
	average exercise	options		average exercise	of
	price	'000		price	options
	HKD			HKD	
	per share			per share	'000
At beginning of the year	2.91	12,663		4.54	27,093
Adjusted during the year ¹	2.77	4		2.90	5,052
Exercised during the year	3.25	(3,524)		4.31	(19,441)
Forfeited during the year	3.36	(11)		4.22	(42)
At end of the year	2.77	9,132		2.91	12,662

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

2002 Share option scheme of HISGL (continued)

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

Number of options <i>'000</i>	Exercise price¹ <i>HKD per share</i>	Exercise period
31 December 2016		
9,132	2.768	3 March 2011 to 2 March 2019
31 December 2015		
2,884	3.356	1 June 2008 to 31 May 2016
9,778	2.769	3 March 2011 to 2 March 2019
12,662		

1 The exercise price of the share option is subject to adjustment in case of rights or bonus issues, scrip dividend, or bonus shares, or other similar changes in HISGL's share capital.

No new share options were granted for the years ended 31 December 2016 and 31 December 2015.

During the current year, 3,523,991 (31 December 2015: 19,441,009) share options were exercised resulting in issuance of 3,523,991 ordinary shares of the Company with new shares capital of HKD 352,000 (31 December 2015: HKD 1,944,000) and share premium of HKD 11,465,000 (31 December 2015: HKD 84,026,000) (before issuing expenses).

As at 31 December 2016, HISGL had 9,131,657 (2015: 12,662,655) share options outstanding under the 2002 Share Option Scheme, which represented approximately 0.17% (2015: 0.24%) of HISGL's shares in issue as at that date.

The exercise in full of the remaining share options would, under the present capital structure of HISGL, result in the issue of 9,131,657 (2015: 12,662,655) additional ordinary shares of HISGL and additional share capital of HKD 913,000 (2015: HKD 1,266,000) and share premium of HKD 24,363,000 (2015: HKD 35,490,000) (before issue expenses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

2015 Share option scheme of HISGL

The sole shareholders of HISGL approved the adoption of a new share option scheme (the “2015 Share Option Scheme”) on 8 June 2015 (the “Adoption Date”). 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.

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.

In respect of the period of 12 months from the Adoption Date and for each of the subsequent periods of 12 months from the previous anniversary of the Adoption Date (each of those 12-months periods is hereinafter referred to as a “Scheme Year”), the total number of shares of the Haitong International Securities which may be issued upon exercise of the options granted in each Scheme Year shall not exceed 21,292,444 shares (the “Annual Limit”). The Haitong International Securities may from time to time seek approval of its shareholders and the approval of the shareholders of Haitong Securities Co., Ltd. (“HSCL”) (so long as the Haitong International Securities is a subsidiary of HSCL under the Listing Rules) in respective general meetings to renew the Scheme Limit and/or the Annual Limit such that the total number of shares of the Haitong International Securities in respect of which options may be granted by directors of the Haitong International Securities under the 2015 Share Option Scheme (i) in respect of the Scheme Limit, shall not exceed 10% of the issued share capital of the Haitong International Securities as at the date of approval of the refreshment; and (ii) in respect of the Annual Limit, shall not exceed 1% of the issued share capital of the Haitong International Securities as at the date of approval of the refreshment. Options previously granted under the 2015 Share Option Scheme and any other share option schemes of the Haitong International Securities (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such limits as refreshed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

2015 Share option scheme of HISGL (continued)

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 HKD 5 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 HKD 1 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

2015 Share option scheme of HISGL (continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at 31 December 2016, no share option has been granted under 2015 Share Option Scheme.

On 12 May 2016, the Haitong International Securities granted 18,100,000 share options at the exercise price of HKD 4.675 per share to its directors and employees under the 2015 Share Option Scheme with a total of 18,000,000 share options were accepted. The validity period of the share options is from 12 May 2016 to 11 May 2021. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of the Haitong International Securities shares on the date of grant was HKD 4.25 per share. The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 12 May 2016 is approximately HKD 23.6 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2016
Weighted average share price at the date of grant	HKD 4.25
Initial exercise price	HKD 4.675
Expected volatility	53.32%
Expected option life	5 years
Risk-free rate	0.897%
Expected dividend yield	5.176%
Early exercise multiples – directors	2.34
– employees	2.07

Expected volatility was determined using the historical volatility of the Haitong International Securities's share price over the previous 3.6 years at the grant date.

For the year ended 31 December 2016, HISGL has recognised an equity-settled share-based payment of HKD 23,673,000 (31 December 2015: Nil) for the share options under the 2015 Share Option Scheme in the consolidated statement of profit or loss. No share options under 2015 share option scheme has been exercised during the current year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

2015 Share option scheme of HISGL (continued)

The following table discloses movements of share options granted to the directors and employees of HISGL.

	2016 Weighted average exercise price HK\$ per share HKD per share	Number of options '000
At beginning of the year	–	–
Granted and accepted during the year	4.675	18,000
Adjusted during the year ²	4.674	7
Exercised during the year	–	–
Forfeited during the year	4.674	(200)
At end of the year	4.674	17,807

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 ² HKD per share	Exercise period
31 December 2016		
17,807	4.674	8 December 2016 to 11 May 2021

2 The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, scrip dividend, or bonus shares, or other similar changes in the Haitong International Securities's share capital.

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 2016, no share option were exercised under the scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

65. 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:

<u>Name of the related party</u>	<u>Relationship of the related party</u>
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 SA	Note A
BNP Paribas Investment Partners Hong Kong Ltd	Note A
Shinhan BNP Paribas Asset Management (Hong Kong) 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 subsidiary

Note A: The subsidiary of the company which holds more than 10% of the shares of the Group's subsidiary.

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 2016 and 31 December 2015:

	2016	2015
	RMB'000	<i>RMB'000</i>
Interest income:		
– Shanghai Equity Investment Fund Limited Partnership	71	203
– Shanghai Shengyuan Real Estate (Group) Co. Ltd.	567	8,255
– Others (<i>Note</i>)	169	164

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, Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership), Fullgoal Fund Management Company and China-Belgium Direct Equity Investment Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

65. RELATED PARTY TRANSACTIONS (continued)

	2016 RMB'000	2015 RMB'000
Commission and fee income:		
– Shanghai Equity Investment Fund Limited Partnership	60,252	85,223
– Xi'an Aerospace and New Energy Industry Fund	30,095	20,034
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	21,158	20,057
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	38,122	46,089
– Fullgoal Fund Management Co. Ltd.	53,007	127,836
– Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)	5,659	5,880
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	19,298	11,940
– China-Belgium Direct Equity Investment Fund	172,344	127,565
– Shanghai Shengyuan Real-Estate (Group) Co., Ltd	2	–
– Haitong (Jilin) Cultural Industries Investment Fund (Limited Partnership)	633	–
– GuangDong Southern Media Integration Development Investment Fund (Limited Partnership)	6,465	–
– Entities related to BNP Paribas (Note A)	15,914	43,074
– Others (Note B)	1,877	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 (Hong Kong) Co., Ltd., BNP Paribas Investment Ltd (Asia) and BNP Paribas Asset Management.

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 2016

65. RELATED PARTY TRANSACTIONS (continued)

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Option investment income:		
– BNP Paribas SA	–	350
Bonds transaction:		
– BNP Paribas (China) Ltd.	1,624,486	80,322
Interest expense:		
– Shanghai Equity Investment Fund Limited Partnership	(17,282)	(5,542)
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	–	(747)
– Xi'an Aerospace and New Energy Industry Fund	–	(140)
– Entities related to BNP Paribas	–	(27)
– Others (<i>Note</i>)	(27)	(32)

Note: Others include Fullgoal Fund Management Co. Ltd., Xi'an Hai Chuang Zhi Xing Venture Investment Limited Partnership and Xi'an Jun Rong Satellite Fund Investment Limited.

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Administration expense:		
– Fullgoal Fund Management Co. Ltd.	–	(3,112)
– Entities related to BNP Paribas	(1,465)	(2,155)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

65. RELATED PARTY TRANSACTIONS (continued)

	2016/12/31 RMB'000	2015/12/31 RMB'000
Accounts receivable from:		
– Fullgoal Fund Management Co. Ltd.	–	764
– China-Belgium Direct Equity Investment Fund	112,200	38,000
– Entities related to BNP Paribas	3,734	7,390
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	(268)	(629)
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)
Accounts payable to brokerage clients:		
– Fullgoal Fund Management Co. Ltd.	(30,868)	(477)
Short-term financing bills payables:		
– Shanghai Equity Investment Fund Limited Partnership	(670,000)	–
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund	(14,000)	–
– Xi'an Hai Chuang Zhi Xing Venture Investment	(15,050)	–
– Xi'an Jun Rong Satellite Fund Investment Limited	(49,000)	–

The remuneration of the key management personnel of the Group was as follows:

	2016 RMB'000	2015 RMB'000
Short-term benefits:		
– Fees, salaries, commission and bonuses	75,999	31,424
Post-employment benefits:		
– Employer's contribution to pension schemes/annuity plans	3,721	3,817
Total	79,720	35,241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

66. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2016/12/31 RMB'000	2015/12/31 <i>RMB'000</i> (Restated)
Non-current assets		
Property and equipment	1,110,031	1,125,245
Investment properties	18,059	19,254
Other intangible assets	203,036	186,350
Investments in subsidiaries	25,266,156	21,266,156
Investments accounted for using equity method	681,741	700,094
Available-for-sale investments	19,914,061	23,170,776
Other loans and receivables	–	–
Deferred tax assets	1,173,164	1,166,492
Other assets	41,487	41,990
Financial assets held under resale agreements	16,919,234	15,422,426
Total non-current assets	65,326,969	63,098,783
Current assets		
Advances to customers on margin financing	44,591,606	60,508,389
Accounts receivable	169,281	170,700
Other receivables and prepayments	1,677,902	1,585,215
Amount due from a subsidiary	1,742,531	1,176,129
Available-for-sale investments	4,686,254	2,931,879
Other loans and receivables	14,700,000	5,194,410
Financial assets held under resale agreements	49,533,072	53,513,878
Placements to banks and other financial institutions	–	–
Financial assets at fair value through profit or loss	45,896,579	63,486,602
Derivative financial assets	–	89,851
Deposits with exchanges	701,485	873,049
Clearing settlement funds	12,149,685	15,157,548
Bank balances and cash	76,058,406	117,906,499
Total current assets	251,906,801	322,594,149
Total assets	317,233,770	385,692,932

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

66. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (continued)

	2016/12/31 RMB'000	2015/12/31 RMB'000 (Restated)
Current liabilities		
Borrowings	34,479	485,075
Short-term financing bills payables	18,434,617	21,701,940
Placements from other financial institutions	1,900,000	1,500,000
Accounts payable to brokerage clients	65,239,234	91,853,662
Other payables and accruals	7,859,810	8,632,184
Amount due to a subsidiary	28,792	930,844
Provisions	–	–
Tax liabilities	860,982	2,570,429
Financial liabilities at fair value through profit or loss	4,195,101	5,044,213
Derivative financial liabilities	225,340	560,200
Financial assets sold under repurchase agreements	28,230,549	74,322,227
Bond Payable	5,673,288	8,927,553
Total current liabilities	132,682,192	216,528,327
Net current assets	119,224,609	106,065,822
Total assets less current liabilities	184,551,578	169,164,605
Equity		
Share capital	11,501,700	11,501,700
Capital reserve	56,486,199	56,486,199
Investment revaluation reserve	(660,702)	(237,093)
General reserves	15,255,470	13,538,067
Retained profits	18,662,316	19,830,808
Total equity	101,244,983	101,119,681
Non-current liabilities		
Deferred tax liabilities	66,258	244,045
Bond payables	81,145,026	59,646,178
Long-term borrowing	1,211,621	688,174
Financial assets sold under repurchase agreements	–	7,200,000
Financial liabilities at fair value through profit or loss	527,800	–
Other payables and accruals	355,890	266,527
Total non-current liabilities	83,306,595	68,044,924
Total equity and non-current liabilities	184,551,578	169,164,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

66. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital RMB'000	Capital Reserve RMB'000	Investment revaluation reserve RMB'000	General Reserve RMB'000	Retained Profit RMB'000	Total RMB'000
		(Note a)				(Note b)
At 1 January 2016 (Restated)	11,501,700	56,486,199	(237,093)	13,538,067	19,830,808	101,119,681
Profit for the year	-	-	-	-	5,724,675	5,724,675
Other comprehensive income (expense) for the year	-	-	(423,609)	-	-	(423,609)
Total comprehensive income (expense) for the year	-	-	(423,609)	-	5,724,675	5,301,066
Ordinary shares of the owner (or shareholder)	-	-	-	-	-	-
Appropriation to general reserves	-	-	-	1,717,403	(1,717,403)	-
Cash dividend recognised as distribution (Note 61)	-	-	-	-	(5,175,765)	(5,175,765)
At 31 December 2016	11,501,700	56,486,199	(660,702)	15,255,470	18,662,315	101,244,982
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	-	-	-	-	13,836,762	13,836,762
Other comprehensive income (expense) for the year (Restated)	-	-	(466,792)	-	-	(466,792)
Total comprehensive income (expense) for the year (Restated)	-	-	(466,792)	-	13,836,762	13,369,970
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 (Restated)	11,501,700	56,486,199	(237,093)	13,538,067	19,830,808	101,119,681

Note a: Capital reserve of the Group represents primarily the share premium arisen from the issuance of the Company's shares.

Note b: When an entity prepares separate financial statements, it can account for investments in associates using the equity method, according to Amendments to IAS 27 which is effective for annual periods beginning on or after 1 January 2016. The company decided to apply Amendments to IAS 27 for annual periods beginning on 1 January 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

67. 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);
- (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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

67. SEGMENT REPORTING (continued)

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the years ended 31 December 2015 and 2016.

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 2016

67. SEGMENT REPORTING (continued)

The segment information provided to the CODM for the operating and reportable segments for the years ended 31 December 2016 and 2015 is as follows:

Operating and Reportable segment

For the year ended 31 December 2016

	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
Segment revenue and results											
Revenue											
- External	13,535,152	1,861,378	2,999,613	2,162,600	1,032,355	3,366,837	2,553,733	7,488,096	34,999,764	-	34,999,764
- Inter-segment	1,473,861	(86)	100,852	56,080	43,770	3,002,891	-	(26,348)	4,651,020	(4,651,020)	-
Other income and gains	(67,358)	49,610	5,932,946	913	6,000	370,986	778,502	352,016	7,423,615	68,877	7,492,492
Segment revenue	14,941,655	1,910,902	9,033,411	2,219,593	1,082,125	6,740,714	3,332,235	7,813,764	47,074,399	(4,582,143)	42,492,256
Segment expenses	9,764,683	987,431	6,878,209	1,012,510	271,560	7,625,486	2,215,050	7,102,068	35,856,997	(4,326,033)	31,530,964
Segment result	5,176,972	923,471	2,155,202	1,207,083	810,565	(884,772)	1,117,185	711,696	11,217,402	(256,110)	10,961,292
Share of results of associates and joint ventures	-	(52)	-	-	24,047	208,841	-	(32,401)	200,435	-	200,435
Profit before income tax	5,176,972	923,419	2,155,202	1,207,083	834,612	(675,931)	1,117,185	679,295	11,417,837	(256,110)	11,161,727
Segment assets and liabilities											
Segment assets	137,762,028	18,415,373	47,389,875	866,787	11,712,997	164,519,754	48,127,299	159,952,141	588,746,254	(39,403,812)	549,342,442
Investments accounted for using equity method											8,749,592
Deferred tax assets											2,773,812
Group's total assets											560,865,846
Segment liabilities	111,094,778	10,436,209	21,132,849	1,665,598	2,464,639	109,662,691	37,957,839	153,314,725	447,729,328	(9,379,355)	438,349,973
Deferred tax liabilities											557,472
Group's total liabilities											438,907,445
Other segment information											
(Amounts included in the measure of segment profit or loss):											
Depreciation and amortization	113,537	18,453	5,211	5,288	340	149,058	4,207	82,995	379,089	-	379,089
Impairment losses of available- for-sale investments-	-	-	-	-	92,775	-	-	147,770	240,545	-	240,545
Impairment losses of loans & receivables	35,884	311	22,135	558	-	(23,513)	563,032	580,540	1,178,947	-	1,178,947
Interest income	7,095,941	727,417	304,308	36	16,819	2,831,500	2,451,386	2,753,141	16,180,548	-	16,180,548
Interest expenses	2,398,375	27,000	690,134	-	113,247	4,355,088	1,250,864	3,506,229	12,340,937	-	12,340,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

67. SEGMENT REPORTING (continued)

Operating and Reportable segment (continued)

For the year ended 31 December 2015

	Securities and futures brokerage RMB'000	Asset management RMB'000	Proprietary trading RMB'000	Investment banking RMB'000	Direct investment RMB'000	Headquarters and others RMB'000	Finance lease RMB'000	Overseas operations RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results											
Revenue											
- External	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
Segment assets and liabilities											
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
Group's total assets											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
Group's total liabilities											459,521,221
Other segment information											
(Amounts included in the measure of segment profit or loss):											
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

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 2015 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

68. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016	2015
	Total	Total
	RMB'000	RMB'000
Loans and receivables	352,567,420	376,554,213
Finance lease receivables	36,555,220	27,393,887
Available-for-sale investments	58,028,838	44,490,351
Held-to-maturity investments	83,509	82,733
Financial assets at fair value through profit or loss	96,282,565	113,868,573
Total	543,517,552	562,389,757
Amortised cost	392,115,196	414,473,110
Financial liabilities at fair value through profit or loss	38,986,530	34,743,728
Total	431,101,726	449,216,838

69. 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 prepayments, 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 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

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.

	2016/12/31	2015/12/31
	RMB'000	<i>RMB'000</i>
Advances to customers on margin financing	63,212,920	76,324,967
Accounts receivable	6,929,537	6,263,868
Other receivables and prepayments	10,228,802	3,154,363
Other loan and receivables	38,471,418	18,192,401
Held-to-maturity investments	83,509	82,733
Finance lease receivables	36,555,221	27,393,887
Available-for-sale debt investments	12,563,689	4,139,703
Financial assets held under resale agreements	84,523,225	77,468,848
Placements to banks and other financial institutions	705,848	184,334
Financial assets at fair value through profit or loss	53,332,885	40,260,638
Deposits with exchanges	8,952,031	7,558,629
Clearing settlement funds	12,191,899	15,747,116
Bank balances and cash	119,217,455	163,190,818
Restricted bank deposits	771,029	710,007
Deposits with central banks	274,303	834,885
Deposits with other banks	761,628	276,425
Loans and advances	5,612,289	7,325,276
Derivative financial assets	3,935,071	3,428,166
Maximum credit exposure	458,322,759	452,537,064

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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.

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. The Group seeks to maintain strict control over its outstanding receivables.

As at 31 December 2016, 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 2016 and 2015 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 potential 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 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Haitong Bank's Credit Risk is based on possible financial losses due to failure by the customer or counterpart in relation to the obligations established with the Group upon contract within their credit activity. Credit risk is essentially present in traditional banking products – loans, guarantees and other contingent liabilities - and in negotiation products – swaps, forwards and options (counterpart risk).

Permanent management of loan portfolio is undertaken, which favors the interaction between several teams engaged in risk management throughout the continuous stages of the credit process. This approach is complemented by the implementation of continuous upgrades to the methodologies and tools of risk evaluation and control.

There are regular follow-ups of the bank's credit risk profile, namely in what concerns the evaluation of credit exposures and monitoring of credit losses. Also subject to analysis is the compliance with the approved credit limits and the correct operation of mechanisms associated with the approval of credit lines within the business area's ongoing activity.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

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 2016

	On Demand	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	-	43,410,730	15,300,746	6,349,088	-	65,060,564
Deposits from central bank	-	-	-	438,408	-	438,408
Deposits from other banks	14,586	-	-	-	-	14,586
Due to customers	136,625	1,338,708	2,531,139	1,105,366	22,052	5,133,890
Accounts payable to brokerage clients	104,059,287	-	-	-	-	104,059,287
Placements from other financial institutions	-	3,412,118	397,638	5,361,952	868,784	10,040,492
Financial assets sold under repurchase agreements	-	35,108,688	8,721,705	93,247	-	43,923,640
Other payables and accruals	6,036,524	1,817,715	3,313,003	415,802	67,838	11,650,882
Short-term financing bills payables	-	8,940,379	11,900,779	-	-	20,841,158
Bonds payable	-	1,093,680	10,771,368	129,603,219	3,633,459	145,101,726
Financial liabilities at fair value through profit or loss	20,857,779	293,627	17,063,210	601,046	-	38,815,662
Derivative financial liabilities	228,845	127,717	258,267	648,381	1,330,799	2,594,009
Long-term payables	-	-	-	3,521,003	18,518	3,539,521
	131,333,646	95,543,362	70,257,855	148,137,512	5,941,450	451,213,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Undiscounted cash flows by contractual maturities (continued)

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
Deposits from central bank	-	-	-	433,514	-	433,514
Deposits from other banks	2,668	-	-	-	-	2,668
Due to customers	66,335	35,769	2,221,759	784,758	-	3,108,621
Accounts payable to brokerage clients	129,026,336	-	-	-	-	129,026,336
Placements from other financial institutions	-	1,501,700	-	12,308,741	424,179	14,234,620
Financial assets sold under repurchase agreements	4,886,194	44,356,285	43,460,124	7,882,545	-	100,585,148
Other payables and accruals	3,658,051	1,667,655	1,069,201	398,983	201,140	6,995,030
Short-term financing bills payables	-	5,802,055	17,387,583	-	-	23,189,638
Bonds payable	-	1,097,946	7,797,769	105,506,135	4,692,710	119,094,560
Financial liabilities at fair value through profit or loss	17,684,940	683,154	5,794,437	6,188,371	-	30,350,902
Derivative financial liabilities	11,886	189,578	612,314	1,451,541	1,452,797	3,718,116
Long-term payables	-	-	-	2,335,708	500	2,336,208
	155,336,410	57,524,606	108,709,446	147,188,821	6,771,326	475,530,609

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Price risk (Continued)

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:

	2016/12/31 RMB'000	2015/12/31 RMB'000
Profit for the year		
Increase by 10%	933,636	1,424,673
Decrease by 10%	(933,636)	(1,424,673)
Investment revaluation reserve		
Increase by 10%	268,860	36,189
Decrease by 10%	(268,860)	(36,189)

In the above analysis, management also considers the case of an available-for-sale equity investment that a reasonably possible downward fall in the equity price would lead the investment to be impaired, the effect of loss would be shown as affecting profit or loss and the cumulative loss previously recognised in investment revaluation reserve would be reclassified to profit or loss, but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

In the case that an available-for-sale equity investment that has already been impaired, a reasonably possible downward fall in the equity price may continue to be recognised in profit or loss but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

In management's opinion, the sensitivity analysis is unrepresentative of inherent price risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

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.

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 increase/decrease for the year ended 31 December 2016 and 31 December 2015 by RMB 166,756,000 and RMB 135,803,000, 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 2016 and 31 December 2015 would increase/decrease by RMB 153,515,000 and RMB 113,052,000, 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 2016, the group's currency risk is relatively small, and under management's control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

Sensitivity analysis

The Group's main currency risk exposure comes from its non-functional currency position, the sensitivity analysis below has been determined based on the exposure to foreign exchange rates for financial assets and financial liabilities denominated in non-functional currency for the Group. The analysis is prepared assuming the financial instruments outstanding at 31 December 2016 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/non-functional currency.

If RMB strengthened/weakened against non-functional currency by 5% with all other variables held constant, the Group's profit for the year ended 31 December 2016 and 2015 would decrease/increase by RMB 381,165,000 and RMB 461,884,000 respectively.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

Sensitivity analysis (continued)

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.

	As at 31 December 2016		As at 31 December 2015	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets				
Held-to-maturity financial assets	83,509	82,679	82,733	81,987
Financial liabilities				
Bonds payable				
Non-convertible bonds payable	122,597,884	124,500,824	97,173,642	98,353,531
Convertible bonds				
Liability portion	3,401,402	N/A	112,592	N/A
Equity portion	179,383	N/A	4,502	N/A
Total of convertible bonds	3,580,785	4,761,153	117,094	124,782

Fair value hierarchy of financial instruments not measured at fair value

As at 31 December 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Held-to-maturity financial assets	–	82,679	–	82,679
Financial liabilities				
Bonds payable	–	129,261,977	–	129,261,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments not measured at fair value (continued)

Fair value hierarchy of financial instruments not measured at fair value (continued)

As at 31 December 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Held-to-maturity financial assets	81,987	–	–	81,987
Financial liabilities				
Bonds payable	–	98,478,313	–	98,478,313

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 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2016 <i>In RMB '000</i>	Fair value as at 31 December 2015 <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	385,103 (Assets) 47,497 (Liabilities)	54,051 (Assets) 1,992 (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	48,431 (Assets) 56,727 (Liabilities)	333,937 (Assets) 57,975 (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	526,978 (Assets)	440,407 (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	125,627 (Assets) 263,974 (Liabilities)	213,480 (Assets) 505,449 (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	2,826,005 (Assets) 1,924,886 (Liabilities)	2,373,508 (Assets) 2,916,070 (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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2016 <i>In RMB '000</i>	Fair value as at 31 December 2015 <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
6) Embedded derivatives instruments	Derivative instruments	73,045 (Liabilities)	282 (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
7) Equity swap contracts	Derivative instruments	22,927 (Assets) 227,880 (Liabilities)	12,783 (Assets) 236,348 (Liabilities)	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
8) Listed equity investments (non- restricted shares), funds investments and debt investments	Financial assets at fair value through profit or loss	21,657,821 25,308,593	36,573,118 851,596	Level 1 Level 2	Quoted bid prices in an active market. The fair value of equity investments was based on the recent transaction price of the investments.	N/A	N/A
	Financial liabilities held for trading	323,126 41,547	1,335,018 –	Level 1 Level 2	Quoted bid prices in an active market for listed equity investments. The fair value was based on the recent transaction price of the investments for listed preferred stock.		
	Financial liabilities designated as FVTPL	2,147	–	Level 1	Quoted bid prices in an active market.		
	Available-for-sale investments	6,272,789 3,682,365	3,408,403 141,480	Level 1 Level 2	Quoted bid prices in an active market. The fair value was based on the recent transaction price of the investments.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2016 <i>In RMB '000</i>	Fair value as at 31 December 2015 <i>In RMB '000</i>	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
9) Unlisted equity investments (non- restricted shares)	Financial assets at fair value through profit or loss	962,956	2,411,747	Level 2	The fair value was based on the recent transaction price of the net investments or net value of the underlying assets. The net asset value of the products was calculated by observable(quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
		269,313	-	Level 3	Based on the net asset values of the equity investment, with reference to resale prices of the investment.		
		3,166,124	4,780,120		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	1,607,954	151,102	Level 2	The fair value was based on the recent transaction price of the investments or net value of the underlying assets. The net asset value of the products was calculated by observable(quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
		44,284	26,627	Level 3	Fair value of the investments consist on the use of internal valuation models or quotations provided by third parties.		
	Financial liabilities designated as FVTPL	1,043	-	Level 2	The fair value is estimated based on option pricing model, in consideration of contract term, share price, interest rate, etc.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2016 <i>In RMB '000</i>	Fair value as at 31 December 2015 <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) Unlisted debt investments	Financial assets at fair value through profit or loss	1,013,346	-	Level 2	The fair value was based on the recent transaction price of the investments or the net asset value of the underlying assets. The net asset values were determined with reference to observable(quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
		18,662,260	24,018,184		Discounted cash flows. Future cash flows are estimated based on the yield curves of the various bonds.		
		198,946	-	Level 3	Fair value of the investments consist on the use of internal valuation models or quotations provided by third parties.		
	Financial liabilities held for trading	8,127,478	788,606	Level 2	Discounted cash flows. Future cash flows are estimated based on the yield curves of the various bonds.		
	Available-for-sale investments	958,456	-	Level 2	The fair value was based on the recent transaction price of the investments.		
		4,877,194	685,548	Level 2	Discounted cash flows. Future cash flows are estimated based on the yield curves of the various bonds.		
		195,462	528,269	Level 3	Fair value of the investments consist on the use of internal valuation models or quotations provided by third parties.		
		303,700	-		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 higher the discount and the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2016 <i>In RMB '000</i>	Fair value as at 31 December 2015 <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
11) Unlisted fund investments	Financial assets at fair value through profit or loss	13,686,104	37,986,083	Level 2	The fair value was based on the recent transaction price of the investments or the net asset value of the underlying assets. The net asset values were determined with reference to observable(quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
	Available-for-sale investments	7,067,004	5,540,985		The fair value was based on the recent transaction price of the investments or the net asset value of the underlying assets. The net asset values were determined with reference to observable(quoted) prices of underlying investment portfolio and adjustments of related expenses.		
		177,430	147,724	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	7,422,031	2,033,108	Level 2	The fair value was determined with reference to the recent transaction prices of underlying assets or the percentage of net asset value, the net asset value was based on the observable market value of the investment portfolio with an adjustments of related expenses.	N/A	N/A
	Available-for-sale investments	23,835,084	23,979,015				
		994,601	–		Discounted cash flow. The fair value is determined with reference to the matured contract value and the discount rate was based on the observable market yield curve.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2016 <i>In RMB '000</i>	Fair value as at 31 December 2015 <i>In RMB '000</i>	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
13) Restricted shares and funds	Available-for-sale investments	1,646,561	3,252,221	Level 3	Discounted cash flow. The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Reference to the quoted market prices of listed shares with an adjustment of discount for lack of marketability.	The higher the discount, the lower the fair value.
14) Financial liabilities arising from consolidation of structured entities	Financial liabilities designated as FVTPL	12,655,010	16,882,364	Level 2	Based on the net asset value of the structured entities, determined with reference to observable (quoted) price of underlying investment portfolio and adjustments of related expenses.	N/A	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2016 <i>In RMB '000</i>	Fair value as at 31 December 2015 <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
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 investment.	N/A	N/A
	Financial liabilities designated as FVTPL	10,958,382	2,740,731	Level 2	The fair value was based on the recent transaction price of the investments or the net asset value.		
		182,360	694,474		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.		
		5,472	-		The fair value of unlisted options are estimated based on option pricing model, in consideration of contract term, share price, interest rate, etc.		
		1,909,546	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	4,433,520	5,044,213	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	1,655,531	2,309,195	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 higher the discount and the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

As at 31 December 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments				
– Equity securities				
Manufacturing	1,383,541	12,524	355,891	1,751,956
Financial services	1,234,384	831,615	82	2,066,081
Information transmission, software and information technology	829,170	20,604	1,046,042	1,895,816
Construction	–	–	3,489	3,489
Transportation, storage and postal services	–	145,051	198,781	343,832
Real Estate	28,227	–	–	28,227
Water conservancy, environment and public facilities management	–	–	22,611	22,611
Culture, sports and entertainments	–	–	211	211
Leasing and business services	13,928	–	17,891	31,819
Comprehensive	–	739,640	45,847	785,487
– Debt securities				
Corporate bonds	577,106	1,295,815	195,463	2,068,384
Government bonds	2,110,886	2,691,823	–	4,802,709
Other debts	–	5,388,897	303,699	5,692,596
– Funds	95,547	7,067,004	177,430	7,339,981
– Others				
Asset management plan and other	–	24,829,685	1,655,531	26,485,216
Subtotal	6,272,789	43,022,658	4,022,968	53,318,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

As at 31 December 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
– Equity securities				
Manufacturing	3,592,232	471,305	3,166,125	7,229,662
Financial services	2,988,556	232,302	–	3,220,858
Information transmission, software and information technology	784,684	331,092	269,312	1,385,088
Mining	12,488	–	–	12,488
Construction	90,779	–	–	90,779
Electricity, heat, gas and water production and supply	51,918	–	–	51,918
Transportation, storage and postal services	302,822	519,384	–	822,206
Wholesale and retail	486,919	121,823	–	608,742
Real Estate	613,045	21,376	–	634,421
Water conservancy, environment and public facilities management	37,788	–	–	37,788
Farming, forest, herd, fishery	74,526	–	–	74,526
Culture, sports and entertainments	138,622	–	–	138,622
Leasing and business services	114,445	–	–	114,445
Comprehensive	6,181	–	–	6,181
Scientific research and technical services	868	–	–	868
Accommodation and catering industry	98,626	–	–	98,626
Health and social work	10,417	–	–	10,417
– Debt securities				
Corporate bonds	3,844,982	24,624,887	7,523	28,477,392
Government bonds	4,066,109	3,266,879	–	7,332,988
Other bonds	972,975	16,358,107	191,423	17,522,505
– Funds	3,368,839	13,686,104	–	17,054,943
– Others				
Asset management plan	–	2,710,071	–	2,710,071
Others	–	4,711,960	–	4,711,960
– Derivative financial assets	385,103	3,549,968	–	3,935,071
Subtotal	22,042,924	70,605,258	3,634,383	96,282,565
Total assets	28,315,713	113,627,916	7,657,351	149,600,980
Derivative financial liabilities	47,497	2,546,512	–	2,594,009
Held for trading financial liabilities	323,126	8,169,025	–	8,492,151
Financial liabilities designated at FVTPL	2,147	28,235,787	1,909,546	30,147,480
Total liabilities	372,770	38,951,324	1,909,546	41,233,640
Net amounts of assets and liabilities	27,942,943	74,676,592	5,747,805	108,367,340

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (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 2016

69. FINANCIAL RISK MANAGEMENT (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	788,606	–	2,123,624
Financial liabilities designated at FVTPL	–	25,361,782	3,540,206	28,901,988
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 2016

69. FINANCIAL RISK MANAGEMENT (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 2016.

Available-for-sale investments

	Restricted Equity Securities							
	Information				Debt			
	Manufacturing	transmission	Financial	Other	Fund	securities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016	1,588,914	57,290	1,579,456	53,188	147,724	528,269	2,309,195	6,264,036
Purchase	150,671	587,211	-	134,940	-	304,548	6,480	1,183,850
Transfer out	(1,161,314)	(55,677)	(637,994)	(17,666)	-	(250,960)	(899,376)	(3,022,987)
Total gains or losses								
– in other comprehensive income	(222,380)	457,218	(941,380)	118,368	29,706	(82,695)	239,232	(401,931)
As at 31 December 2016	355,891	1,046,042	82	288,830	177,430	499,162	1,655,531	4,022,968

Financial assets at fair value through profit or loss

	2016	2015
	RMB'000	RMB'000
As at the beginning of the year	4,780,120	-
Transfer in	492,018	1,759,338
Transfer out	-	-
Total losses and gains		
– other losses and gains	(1,637,755)	3,020,782
As at the end of the year	3,634,383	4,780,120

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial liabilities at fair value through profit or loss

	2016 RMB'000	2015 <i>RMB'000</i>
As at the beginning of the year	3,540,206	–
Transfer in	73,095	519,424
Transfer out	–	–
Total losses and gains		
– other losses and gains	(1,703,755)	3,020,782
As at the end of the year	1,909,546	3,540,206

The following table represents the changes in Level 3 available-for-sale investments for the the year ended 31 December 2015.

	Restricted Equity Securities							Total <i>RMB'000</i>
	Manufacturing <i>RMB'000</i>	Information transmission <i>RMB'000</i>	Financial industry <i>RMB'000</i>	Other industries <i>RMB'000</i>	Fund <i>RMB'000</i>	Debt securities <i>RMB'000</i>	Others <i>RMB'000</i>	
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (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 Decision of the China Securities Regulatory Commission on the Revision of the Administrative Measures for the Risk Control Indicators of Securities Companies (Order of the CSRC No. 125), Provisions on the Calculation Standard for Risk Control Indicators of Securities Companies (Announcement of the CSRC [2016] No.10) 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 20% ("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 10% ("Ratio 4");
5. The ratio between the value of equity securities, equity related derivatives held and its net capital shall not exceed 100% ("Ratio 5");
6. The ratio between the value of non-equity securities held non-equity related derivatives and net capital shall not exceed 500% ("Ratio 6");
7. The ratio between its core net capital and total assets of in-balance-sheet and off-balance-sheet shall be no less than 8% ("Ratio 7");

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

69. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Capital management (continued)

8. The ratio between its high quality liquid assets and net cash outflow in 30 days shall be no less than 100% ("Ratio 8"); and
9. The ratio between its available stable funding and stable funding needed shall be no less than 100% ("Ratio 9").

Net capital refers to net assets minimises risk adjustments on certain types of assets as defined in the Administrative Measures.

As at 31 December 2016 and 2015, the Company has maintained the above ratios as follows:

	2016/12/31	2015/12/31
Net capital (RMB '000)	78,663,534	93,706,662
Ratio 1	258.90%	365.64%
Ratio 2	77.70%	92.67%
Ratio 3	52.56%	49.00%
Ratio 4	67.65%	52.87%
Ratio 5	29.66%	26.67%
Ratio 6	80.98%	76.72%
Ratio 7	27.64%	25.18%
Ratio 8	155.23%	322.01%
Ratio 9	131.65%	128.47%

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 2016

70. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

THE GROUP

As at 31 December 2016	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
	Related amounts not set off in the statement of financial position					
in RMB'000						
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)	3,952,520	17,449	3,935,071	-	-	3,935,071
Accounts receivable from brokers, dealers and clearing house (note 31)	7,887,737	2,374,920	5,512,817	8,200	55,426	5,449,191
Advances to customers on margin financing (note 30)	63,212,920	-	63,212,920	57,033,724	6,179,196	-
Deposits with exchanges (note 36)	8,952,031	-	8,952,031	33,548	-	8,918,483

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						
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

70. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

THE GROUP

As at 31 December 2016	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
	Related amounts not set off in the statement of financial position					
in RMB'000						
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statements of financial position	Net amounts of financial liabilities presented in the statement of financial position	(d)(i) Financial instruments	(d)(ii) Cash collateral pledged	Net amount
Derivative instruments (note 50)	2,604,351	10,342	2,594,009	-	-	2,594,009
Pending payable to clearing house (note 48)	6,403,075	2,374,920	4,028,155	174,048	-	3,854,107
Financial liabilities held for trading (note 51)	18,900,050	-	18,900,050	-	2,812,094	16,087,956

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						
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statements of financial position	Net amounts of financial liabilities presented in the statement of financial position	(d)(i) Financial instruments	(d)(ii) Cash collateral pledged	Net amount
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

70. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

THE GROUP (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 2016 and 31 December 2015, 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.

71. 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)	100	148,779
Haitong Bank S.A	investment banking	7 September 2015	100	2,692,492
				<u>2,841,271</u>

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 RMB 148,779,000). Japaninvest was a listed company on the Tokyo Stock Exchange and was delisted with the effect from 26 March 2015 (Japan Time) after obtaining the approval from the court in the United Kingdom 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.

This acquisition has been accounted for using the acquisition method of accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

71. ACQUISITION OF SUBSIDIARIES (continued)

Consideration transferred

	<i>RMB'000</i>
Cash	148,779

Acquisition-related costs amounting to RMB 1.58 million have been excluded from the consideration transferred and have been recognized as an expense in the year ended 2015, 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
Total current assets	24,764
Total assets	66,895
Current liabilities	
Other payables and accruals	(26,800)
Tax liabilities	(450)
Deferred tax liabilities	(7,971)
Total current liabilities	(35,221)
Net assets	31,674

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 2016

71. ACQUISITION OF SUBSIDIARIES (continued)

Goodwill arising on acquisition

	2015 <i>RMB'000</i>
Consideration transferred	148,779
Plus: Net identifiable assets acquired	<u>(31,674)</u>
Goodwill arising on acquisition	<u>117,105</u>

Goodwill arose in the acquisition of Japaninvest 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 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

	2015 <i>RMB'000</i>
Consideration paid in cash	148,779
Plus: cash and cash equivalent balances acquired	<u>(11,189)</u>
Net cash outflow arising on acquisition	<u>137,590</u>

Impact of acquisition on the results of the Group

Included in the profit for the year ended 2015 is RMB 5.19 million attributable to the additional business generated by Japaninvest. Revenue for the current period includes RMB 26.81 million generated from Japaninvest.

Had the acquisition been completed on 1 January 2015, total group revenue for the year ended 2015 would have been RMB 51.21 billion, and profit for the year ended 2015 would have been RMB 16.837 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 year ended 2015, 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 2016

71. ACQUISITION OF SUBSIDIARIES (continued)

Haitong Bank, S.A. (formerly known as 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 EUR 379 million or equivalent to RMB 2,692,483,000. BESI was acquired to develop 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

	2015 <i>RMB’000</i>
Cash	2,692,483

Acquisition-related costs amounting to RMB 31 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 2016

71. ACQUISITION OF SUBSIDIARIES (continued)

Assets acquired and liabilities recognised at the date of acquisition (Converted at the date of purchase)

	Provisional fair value recognised	Finalised fair value recognised
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable	1,105,813	1,105,813
Other receivables and prepayments	380,865	380,865
Cash and cash equivalents	104	104
Deposits with central bank	3,512	3,512
Deposits with other banks	394,536	394,536
Financial assets at fair value through profit or loss	4,987,623	4,987,623
Available for sale investments	2,715,400	2,636,451
Loans and advances	8,073,645	8,029,715
Derivative instruments	3,051,017	3,051,017
Financial assets sold under repurchase agreements	760,908	760,908
Assets held for sale	25,575	25,575
Property and equipment	90,788	90,788
Other intangible assets	110,571	110,571
Investments accounted for using equity method	187,676	187,676
Tax recoverable	140,120	140,120
Deferred tax assets	857,658	892,393
Refundable deposits	1,320,572	1,320,572
Other assets	63,032	63,032
Total identifiable assets	24,269,415	24,181,271
Deposits from central banks	434,065	434,065
Financial liabilities at fair value through profit or loss	415,280	415,280
Deposits from other banks	4,544,887	4,544,887
Customer accounts	2,177,961	2,177,961
Debt securities issued	4,787,759	4,787,759
Loan and other borrowings	3,803,504	3,803,504
Derivative instruments	3,559,792	3,559,792
Provisions	150,375	166,484
Deferred tax liabilities	319	319
Other liabilities	497,197	497,197
Accounts payable	1,174,796	1,174,796
Other payables	594,324	594,324
Total liabilities	22,140,259	22,156,368
Net tangible asset acquired at the date of acquisition	2,129,156	2,024,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

71. ACQUISITION OF SUBSIDIARIES (continued)

Assets acquired and liabilities recognised at the date of acquisition (Converted at the date of purchase) (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 (Converted at the date of purchase)

	Provisional fair value recognised	Finalised fair value recognised
	<i>RMB'000</i>	<i>RMB'000</i>
Consideration transferred	2,692,483	2,692,483
Plus: Other equity instrument	26,506	26,506
Plus: Non controlling interest	278,572	269,889
Plus: Net identifiable assets acquired	(2,129,156)	(2,024,903)
Goodwill arising on acquisition	868,405	963,975

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.

Net cash outflow on acquisition of a subsidiary

	2015
	<i>RMB'000</i>
Consideration paid in cash	2,692,483
Plus: Cash and cash equivalent balances acquired	(394,640)
Net cash outflow arising on acquisition	2,297,843

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

72. SUBSEQUENT EVENTS

Profit distribution resolution

On 29 March 2017, the board of directors of the Company proposed a profit distribution resolution, Cash dividend of RMB 2.20 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 RMB 2,530,374,000.00 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 RMB 16,131,942,148.54 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 2016 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.

Significant asset acquisition

In order to solve the lack of headquarters' site, according to resolution of the 21st meeting (extraordinary meeting) of the 6th term of Board, 100% shares of Shanghai Weitai Properties Management Co., Ltd (上海惟泰置業管理有限公司) which is owned by Shanghai Gold Bund Group Development Co., Ltd (the transferor) and debt of the target company owned by the transferor amount to RMB 101,916,074.25 was planned to be transferred on the platform of Shanghai United Assets and Equity Exchange. As of report day, the Company totally paid full price amount to RMB 857.9821 million and completed the transaction.

Other than those disclosed above, the Group had no material events for disclosure subsequent to 31 December 2016 and up to the date of these consolidated financial statements.

73. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.