

# 恒投证券

HENGTOU SECURITIES

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

**Stock Code: 1476**

## 2017 Annual Report

# Contents

<b>IMPORTANT NOTICE</b>	2
<b>CHAIRMAN'S STATEMENT</b>	3
<b>SECTION 1 DEFINITIONS</b>	4
<b>SECTION 2 MATERIAL RISKS</b>	9
<b>SECTION 3 COMPANY PROFILE</b>	10
<b>SECTION 4 SUMMARY OF ACCOUNTING AND BUSINESS DATA</b>	21
<b>SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS</b>	28
<b>SECTION 6 REPORT OF THE BOARD OF DIRECTORS</b>	84
<b>SECTION 7 OTHER MATERIAL PARTICULARS</b>	97
<b>SECTION 8 EQUITY (CAPITAL) CHANGES AND SUBSTANTIAL SHAREHOLDERS</b>	106
<b>SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES</b>	111
<b>SECTION 10 CORPORATE GOVERNANCE REPORT</b>	129
<b>APPENDIX PARTICULARS OF SECURITIES BRANCHES</b>	160
<b>INDEPENDENT AUDITOR'S REPORT</b>	176
<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>	186
<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	187
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	188
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	190
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	191
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	193

# Important Notice

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

This report has been considered and approved at the second meeting of the fourth session of the Board and the second meeting of the fourth session of the Supervisory Committee where all the Directors and Supervisors were present, respectively. No Directors, Supervisors or senior management of the Company declared that they could not guarantee or had any objection to the truthfulness, accuracy and completeness of this report.

The financial report for 2017 prepared by the Company, in accordance with the International Financial Reporting Standards and China's Accounting Standard for Business Enterprises, has been audited by RSM Hong Kong and Ruihua Certified Public Accountants LLP, respectively, each of whom had issued a standard unqualified audit report. All amounts set out in this report are stated in RMB unless otherwise stated.

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

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

# Chairman's Statement

In 2017, China's economy gradually stabilized against a macro backdrop of "supply-side reform". China's A-share market remained stable with the index fluctuating within a limited range. In terms of the regulatory environment of securities industry, the keynote of law-based, comprehensive and strict regulation remained unchanged, which further standardized the business regime of securities companies. However, the innovation-driven growth momentum of the industry slowed down to some extent and competition was further intensified.

In 2017, confronted with tightened regulation and increased competition in the industry, our staff at all levels, under the leadership of the Board, worked together to exercise strict control over risks and ensure all operation activities were carried out in a lawful, smooth and orderly way. We speeded up business transformation and upgrade and consolidated business foundation to enhance our core competitiveness. We promoted the implementation of rectifications at our subsidiaries in strict accordance with regulatory requirements. We also actively responded to the call for practicing targeted poverty-alleviation and performing social responsibility. Meanwhile, we emphasized the construction of corporate culture and held large-scale corporate culture events such as the "Wonderful Hengtai Employees" ("出彩恒泰人"). In addition, back-office support and services were enhanced in an all-round manner to facilitate our operation. Thanks to these efforts, we achieved good results in overall business operations.

In 2018, facing the opportunities and challenges in the new era and new circumstances, we will pull together to forge ahead and make down-to-earth efforts to accomplish our tasks. We will continue to adhere to regulatory-compliant operation and guard against business risks. We will deepen business transformation, consolidate business foundation, enhance professional services and expand market influence. We will strengthen back-office capacity in providing support and services and comprehensively improve the operation and management of our Company. Furthermore, we will actively respond to the calls of the State and the industry by making specific efforts for targeted poverty-alleviation. Most importantly, we shall renew our efforts to elevate our performance, advancing forward to a new level of our business development in every aspect.

**Pang Jiemin**  
*Chairman*

Beijing, the PRC  
28 March 2018

# Section 1 Definitions

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

APP	application, which generally refers to mobile applications
Articles of Association	the articles of association of the Company, as amended from time to time
asset securitisation, ABS	an act of converting less liquid assets into securities that can be traded freely in the financial market to have them become liquid and a direct way of financing through issuing securities in capital market and monetary market
Baotou Huazi	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600191), a substantial shareholder of the Company
Board	the board of directors of the Company
Company or Hengtou Securities	a company established as a limited liability company in the PRC on 28 December 1998 and converted into a joint stock company with limited liability under the PRC laws on 3 November 2008 under the corporate name “恒泰证券股份有限公司” (Hengtai Securities Co., Ltd), and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English) as approved by and registered with the Registrar of Companies in Hong Kong on 27 April 2015, and whose H shares are listed on the Main Board of the Hong Kong Stock Exchange
Corporate Governance Code	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Director(s)	director(s) of the Company
Domestic Share(s)	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid-up in RMB
ETF	Exchange Trade Funds, a kind of open-ended funds with variable fund units which are listed and traded on the stock exchanges
end of Reporting Period	31 December 2017

## Section 1 Definitions (Continued)

Finance Street Capital	Beijing Finance Street Capital Management Centre (北京金融街資本運營中心), which holds 100% equity interest in Huarong Infrastructure
Finance Street Investment	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司), formerly known as Beijing Finance Street Construction Group Co., Ltd. (北京金融街建設集團), a subsidiary of SASAC Xicheng District and a shareholder of the Company
Finance Street Xihuan Properties	Beijing Finance Street Xihuan Properties Co., Ltd. (北京金融街西環置業有限公司), formerly known as Beijing Xihuan Properties Co., Ltd. (北京西環置業有限公司), a subsidiary of SASAC Xicheng District and a shareholder of the Company
GDP	gross domestic product
Group	the Company and its subsidiaries
H Share(s)	overseas listed foreign ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Hong Kong Stock Exchange
Hangzhou Ruisi	Hangzhou Ruisi Industrial Co., Ltd. (杭州瑞思實業有限公司), which holds 98.67% equity interest in Shaanxi Tianchen
Hengtai Capital	Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司), 100% equity interest of which is held by the Company
Hengtai Changcai	Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司), 100% equity interest of which is held by the Company
Hengtai Futures	Hengtai Futures Co., Ltd. (恒泰期貨股份有限公司), 80% and 20% equity interest of which is held by the Company and Hengtai Capital, respectively
Hengtai Pioneer	Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司), 100% equity interest of which is held by the Company
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC

## Section 1 Definitions (Continued)

Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hongzhi Huitong	Beijing Hongzhi Huitong Industrial Co., Ltd. (北京鴻智慧通實業有限公司), a shareholder of the Company
Huarong Infrastructure	Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司), a subsidiary of SASAC Xicheng District and a shareholder of the Company
Huarong Investment	Beijing Huarong Comprehensive Investment Company (北京華融綜合投資公司), which holds 90% equity interest in Finance Street Xihuan Properties
Huifa Investment	Tibet Dazi Huifa Investment Co., Ltd. (西藏達孜匯發投資有限公司), formerly known as Shenzhen City Huifa Investment Co., Ltd. (深圳市匯發投資有限公司), a shareholder of the Company
Huijin Jiaye	Beijing Huijin Jiaye Investment Co., Ltd. (北京匯金嘉業投資有限公司), a shareholder of the Company
IPO	Initial Public Offering
Listing	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange on 15 October 2015
Listing Date	15 October 2015
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
NEEQ	National Equities Exchange and Quotations
New China Fund	New China Fund Management Co., Ltd. (新華基金管理股份有限公司), 58.62% equity interest of which is held by the Company

## Section 1 Definitions (Continued)

Ningbo Shike	Ningbo Shike Trading Co., Ltd. (寧波實科商貿有限公司), which holds 70% equity interest in Qingyun Intercontinental
PRC or China	for the purpose of this report, the People's Republic of China (excluding Hong Kong, Macau Special Administration Region of the PRC and Taiwan)
Prospectus	the H Shares prospectus of the Company dated 30 September 2015
Qingyun Intercontinental	Beijing Qingyun Intercontinental Technology Co., Ltd. (北京慶雲洲際科技有限公司), a substantial shareholder of the Company
Reporting Period	the year ended 31 December 2017
RMB	Renminbi, the lawful currency of China, the basic unit of which is Yuan
REITs	Real Estate Investment Trusts
SASAC Xicheng District	The State-owned Assets Supervision and Administration Commission of Xicheng District People's Government of Beijing Municipality (北京市西城區人民政府國有資產監督管理委員會), which holds 100% equity interest in each of Huarong Investment, Finance Street Capital and Finance Street Investment, respectively
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shaanxi Hongya	Shaanxi Hongya Ruijiu Trading Co., Ltd. (陝西弘雅瑞久商貿有限公司), which holds 99.60% equity interest in Ningbo Shike
Shaanxi Tianchen	Shaanxi Tianchen Technology Trading Co., Ltd. (陝西天宸科貿有限公司), which holds 97.08% equity interest in Hongzhi Huitong
Shanghai Julu	Shanghai Julu Information Technology Co., Ltd. (上海巨祿信息科技有限公司), which holds 99.47% equity interest in Shenzhen Zhongxin
Shanghai Xishida	Shanghai Xishida Electronic Technology Co., Ltd. (上海喜仕達電子技術有限公司), which holds 99.99% equity interest in Huijin Jiaye
Shanghai Yida	Shanghai Yida Technology Investment Co., Ltd. (上海怡達科技投資有限責任公司), a substantial shareholder of the Company



## Section 1 Definitions (Continued)

Shenzhen Zhongxin	Shenzhen Zhongxin Tuoye Technology Co., Ltd. (深圳中新拓業科技有限公司), which holds 95% equity interest in Shanghai Xishida
stock pledged repurchase transaction	a transaction in which eligible funds receivers get financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and cancel the pledge some day in the future
substantial shareholder(s)	has the meaning ascribed thereto under the Listing Rules
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Suzhou Bingtai	Suzhou Bingtai Trading Co., Ltd. (蘇州秉泰貿易有限公司), which holds 94% equity interest in Hangzhou Ruisi
this report	the 2017 annual report of the Company
Tomorrow Holding	Tomorrow Holding Limited Company (明天控股有限公司), which holds approximately 54% equity interest in Baotou Huazi, one of the substantial shareholders of the Company
Wind Info	Wind Info Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability and a service provider of financial data, information and software, being an independent third party of the Company
Zhongchang Hengyuan	Zhongchang Hengyuan Holdings Limited (中昌恒遠控股有限公司), a substantial shareholder of the Company

## Section 2 Material Risks

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

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

In view of the above-mentioned risks, the Company has established internal control and risk management system, compliance management system and risk control indicators monitoring system to prevent and reduce various risks the Company is exposed to in the course of operation.

# Section 3 Company Profile

## I. BASIC INFORMATION ABOUT THE COMPANY

### 1. Name of company

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

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

### 2. Board of Directors

#### Executive Directors

Mr. Pang Jiemin (*Chairman*)

Mr. Wu Yigang (*Vice chairman*)

#### Non-executive Directors

Mr. Zhang Tao

Mr. Sun Chao

Ms. Dong Hong

Ms. Gao Liang

#### Independent Non-executive Directors

Ms. Zhou Jianjun

Dr. Lam Sek Kong

Mr. Lv Wendong

#### Special Committees of the Board

##### Strategy and Investment Committee

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

Mr. Sun Chao

Dr. Lam Sek Kong

##### Risk Control and Supervisory Committee

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

Mr. Wu Yigang

Mr. Zhang Tao

## Section 3 Company Profile (Continued)

### **Audit Committee**

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

Mr. Zhang Tao

Dr. Lam Sek Kong

### **Remuneration and Nomination Committee**

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

Mr. Pang Jiemin

Dr. Lam Sek Kong

### **3. Supervisory Committee**

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

Ms. Pei Jingjing

Mr. Wang Hui

### **4. Legal Representative:** Mr. Pang Jiemin

**President:** Mr. Niu Zhuang

### **5. Registered capital:** RMB2,604,567,412

**Net capital:** RMB7,834,238,711.90

### **6. Qualifications for Businesses in China**

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

## Section 3 Company Profile (Continued)

### 7. Head Office in China

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

Head office address: 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

Website: [www.cnht.com.cn](http://www.cnht.com.cn)

Email: [dongban@cnht.com.cn](mailto:dongban@cnht.com.cn)

### 8. Place of Business in Hong Kong

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

### 9. Secretary of the Board

Mr. Zhang Wei

Tel: (86 471) 4913 858

Fax: (86 471) 4913 858

Email: [zhangwei@cnht.com.cn](mailto:zhangwei@cnht.com.cn)

Address: 18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC (post code: 010098)

### 10. Chief Compliance Officer

Mr. Pang Jiemin (acting)

Tel: (86 471) 4913 989

Fax: (86 471) 4913 989

Email: [pangjiemin@cnht.com.cn](mailto:pangjiemin@cnht.com.cn)

Address: 18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC (post code: 010098)

### 11. Chief Risk Officer

Ms. Yu Fang

Tel: (86 471) 4913 918

Fax: (86 471) 4913 918

Email: [yufang@cnht.com.cn](mailto:yufang@cnht.com.cn)

Address: 18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC (post code: 010098)

## Section 3 Company Profile (Continued)

### 12. Joint Company Secretaries

Mr. Zhang Wei, Ms. Leung Wing Han Sharon

### 13. Authorised Representatives

Mr. Pang Jiemin, Ms. Leung Wing Han Sharon

### 14. Auditors

International accounting firm: RSM Hong Kong

Domestic accounting firm: Ruihua Certified Public Accountants LLP

### 15. Hong Kong Legal Advisor

Luk & Partners

In Association with

Morgan, Lewis & Bockius

### 16. Principal Bankers

China Minsheng Bank, Hohhot Branch

Industrial Bank Co., Ltd. Hohhot Branch

China Construction Bank Corporation, Hulun South Road Branch of Hohhot

### 17. H Share Registrar

Computershare Hong Kong Investor Services Limited

### 18. Stock Code (H Shares)

01476

## Section 3 Company Profile (Continued)

### II. DEVELOPMENT HISTORY

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

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

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

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

## Section 3 Company Profile (Continued)

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

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

On 3 June 2013, the Company established Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司) in Shenzhen as a wholly-owned subsidiary of the Company, with a registered capital of RMB200 million. On 29 January 2016, Hengtai Capital increased its registered capital from RMB0.2 billion to RMB1 billion in order to supplement working capital. On 10 November 2016, Hengtai Capital further increased its registered capital from RMB1 billion to RMB1.5 billion in order to supplement working capital.

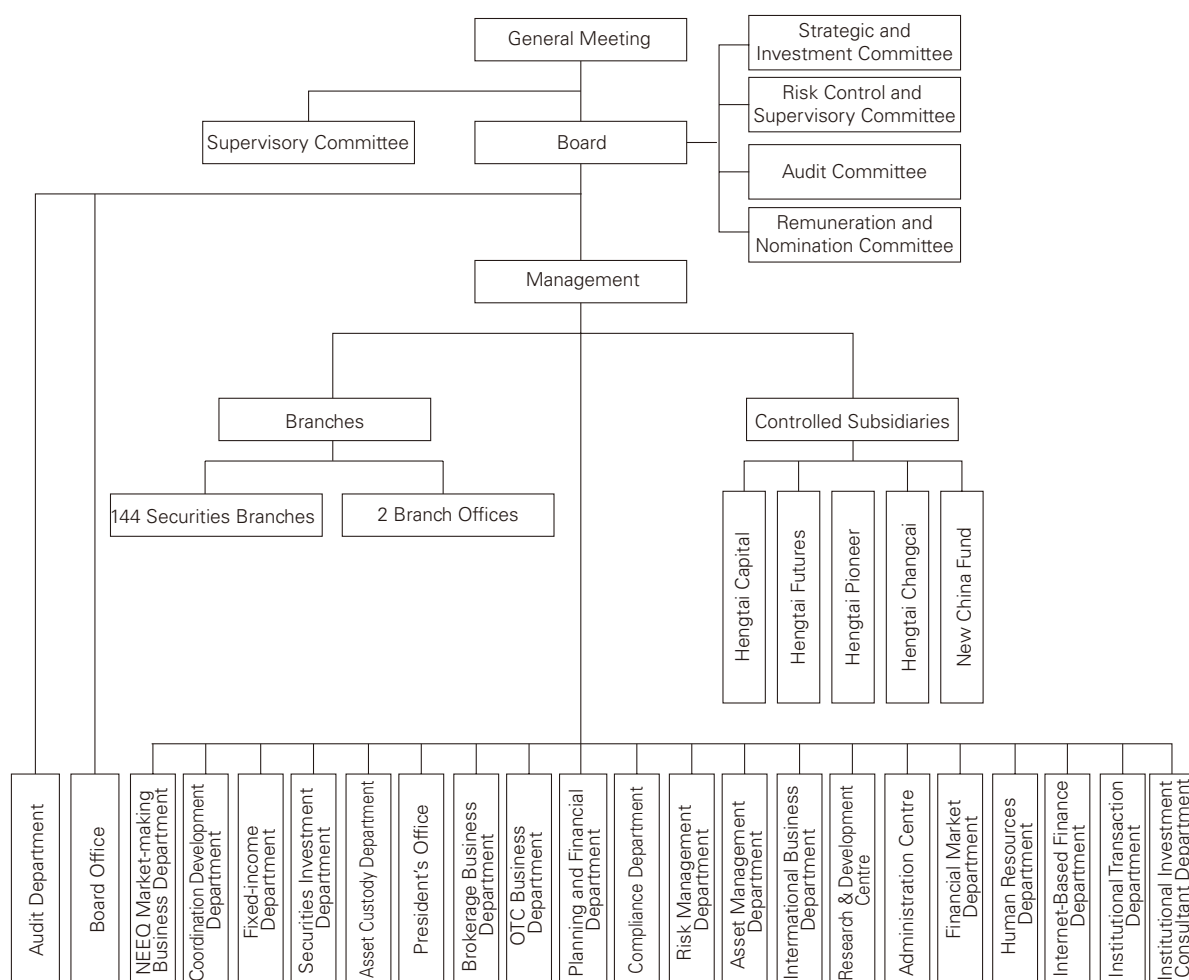
On 30 October 2013, upon approval by the CSRC with the Reply on the Approval of Change in Equity Interest in New China Fund Management Co., Ltd. (Zheng Jian Xu Ke [2013] No. 1376) (《關於核准新華基金管理有限公司變更股權的批覆》(證監許可[2013]1376號)), the Company acquired 43.75% equity interest in New China Fund Management Co.,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



## Section 3 Company Profile (Continued)

On 9 September 2015, the Company received the Reply on Approval of Issue of Overseas-Listed Foreign-Invested Shares by Hengtai Securities Co., Ltd (Zheng Jian Xu Ke [2015] No. 2089) (《關於核准恒泰證券股份有限公司發行境外上市外資股的批覆》(證監許可[2015]2089號)) from CSRC, which approved the Company to publicly issue the overseas listed foreign-invested shares (H Shares) and the listing of such shares on the main board of the Hong Kong Stock Exchange. On 15 October 2015, the overseas-listed shares of the Company were officially listed on the Hong Kong Stock Exchange (stock code: 01476). The Company issued an aggregate of 450,846,000 H Shares (including the portion of reduced state-owned shares) (all being ordinary shares) with a nominal value of RMB1 each. The total share capital of Company was 2,604,567,412 shares upon completion of the issue.

### III. ORGANIZATION STRUCTURE



## Section 3 Company Profile (Continued)

### IV. SUBSIDIARIES

As of 31 December 2017, major subsidiaries of the Company are as follows:

#### (I) Controlled subsidiaries

No.	Name	Address (in China)	Principal business	Date of establishment	Registered capital <i>RMB'0'000</i>	Shareholding percentage	Legal representative	Telephone (+86)
1	Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司)	Section 479, 5/F, No. 57 Changjiang Road, Changjiang Road Economic Development Zone, Chang Chun, Jilin Province (吉林省長春市長江路經濟開發區長江路57號五層479段)	securities underwriting business, securities investment and fund distribution business and securities sponsoring business	10 January 2002	20,000	100%	Zhang Wei (張偉)	010-56673702
2	Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司)	Building 5, No. 25 Shuntong Road, Shunyi District, Beijing (北京市順義區順通路25號5幢)	project investment	25 January 2013	10,000	100%	Wu Lihui (武麗輝)	010-83270868
3	Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司)	Room 201, Block A, 1 Qianwan First Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong Province (廣東省深圳市前海深港合作區前灣一路1號A棟201室)	private equity investment funds	3 June 2013	150,000	100%	Niu Zhuang (牛壯)	0755-83700311
4	Hengtai Futures Co., Ltd. <sup>1</sup> (恒泰期貨股份有限公司)	Unit 201, 2/F, No. 120 Block 91, E'shan Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區崑山路91弄120號2層201單元)	commodity futures brokerage; financial futures brokerage; advisory services related to futures investment and asset management	20 December 1992	12,500	80%	Fu Lixin (付立新)	021-68405668
5	New China Fund Management Co., Ltd. (新華基金管理股份有限公司)	19/F, Building 2, Lifan Centre, No. 6 Juxiyan Square, Jiangbei District, Chongqing (重慶市江北區聚賢巖廣場6號力帆中心2號辦公樓第19層)	fund raising, fund distribution, asset management and other business as permitted by the CSRC	9 December 2004	21,750	58.62%	Chen Zhong (陳重)	010-68779666

*Note 1:* The Company's shareholding percentage in such company is presented as direct shareholding percentage.

## Section 3 Company Profile (Continued)

### (II) Major Subsidiaries of Hengtai Capital

No.	Name	Address (in China)	Principal business	Date of establishment	Registered capital <i>RMB'000</i>	Shareholding percentage	Legal representative	Telephone (+86)
1	Shanghai Yingwo Investment Management Co., Ltd. (上海盈沃投資管理有限公司)	Room 358, Building 3, No.806 Fengzhen Road, Hongkou District, Shanghai (上海市虹口區豐鎮路806號3幢358室)	Investment management, asset management, investment consultation, industrial investment	2 July 2013	2,000	100%	Niu Zhuang (牛壯)	021-68506779
2	Shenzhen Hengtai Capital Equity Investment Fund Management Co., Ltd. (深圳恒泰資本股權投資基金管理有限責任公司)	Room 201, Building A, 1 Qianwan Yi Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong Province (廣東省深圳市前海深港合作區前灣一路1號A棟201室)	entrusted management of equity investment funds, equity investment, funds management and investment consultation	9 September 2013	2,000	100%	Xin Benhua (辛本華)	0755-83700311
3	Beijing Hengtai Hongze Investment Co., Ltd. (北京恒泰弘澤投資有限公司)	F2-1(B)701-2,7/F, No.2 and 4 Wudinghou Street, Xicheng District, Beijing (北京市西城區武定侯街2號、4號7層F2-1(B)701-2)	project investment; investment management; asset management; investment consultation; corporate management consulting	8 April 2015	1,000	100%	Wu Lihui <sup>1</sup> (武麗輝)	010-57649363
4	Shanghai Hongdian Investment Management Co., Ltd. (上海泓典投資管理有限公司)	Room 2506, No.99 Huangpu Road, Hongkou District, Shanghai (上海市虹口區黃浦路99號2506室)	investment management, industrial investment, asset management, business consulting, corporate management consulting	4 May 2015	10,000	100%	Huang Weiguo (黃偉國)	021-33821309
5	Shenzhen Hengtai Baojuchang Investment Management Co., Ltd. <sup>2</sup> (深圳恒泰寶聚昌投資管理有限公司)	22/F, Center Business Building, Fuhua First Road, Futian District, Shenzhen, Guangdong Province (廣東省深圳市福田區福田街道福華一路中心商務大廈22層)	investment management, entrusted asset management, investment in industrial establishment, investment management in relation to investments in the securities market, equity investment, investment consultation	24 June 2015	300	51%	Wang Jun (王軍)	0755-83700311

#### Notes:

- On 2 February 2018, Beijing Hengtai Hongze Investment Co., Ltd. completed its industrial and commercial registration for the change of legal representative from Ms. Wu Lihui (武麗輝) to Mr. Xin Benhua (辛本華).
- On 22 January 2018, Hengtai Capital transferred the 51% equity interests it held in Shenzhen Hengtai Baojuchang Investment Management Co., Ltd. to Mr. Liu Zhihong (劉志宏), an independent third party.

## Section 3 Company Profile (Continued)

No.	Name	Address (in China)	Principal business	Date of establishment	Registered capital <i>RMB0'000</i>	Shareholding percentage	Legal representative	Telephone (+86)
6	Inner Mongolia Hengtai Shengda Investment Management Co., Ltd. (內蒙古恒泰盛達投資管理有限公司)	6/F, Region 2, Block A, Jindi Business Building, Xincheng District, Chifeng, Inner Mongolia Autonomous Region (內蒙古自治區赤峰市新城区金帝商務大廈A座2區6層)	asset management, investment management, investment advisory services	2 November 2015	3,000	51%	Niu Zhuang (牛壯)	010-53621186

### (III) Major Subsidiary of Hengtai Futures

Number	Name	Address (in China)	Principal business	Date of establishment	Registered capital <i>RMB0'000</i>	Shareholding percentage	Legal representative	Telephone (+86)
1	Hengtai Yingwo Asset Management Co., Ltd. (恒泰盈沃資產管理有限公司)	1/F, Block 1, No. 251 Yaohua Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區耀華路251號一幢一層)	Asset management, investment management, industrial investment, venture capital investment, investment consulting, corporate management services, financial consulting, planning of corporate asset reorganisation and merger and acquisition, marketing planning	5 February 2016	5,000	100%	Fu Lixin (付立新)	021-68402780

### (IV) Major Subsidiary of New China Fund

Number	Name	Address (in China)	Principal business	Date of establishment	Registered capital <i>RMB0'000</i>	Shareholding percentage	Legal representative	Telephone (+86)
1	Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司)	Room 3-01 Building 6, Ronghuiyuan, Airport Economic Core Zone, Shunyi District, Beijing (北京市順義區臨空經濟核心区融慧園6號樓3-01)	Asset management for specific customers and other businesses as approved by CSRC	10 April 2013	30,800	76.62%	Lin Yanfang (林豔芳)	010-58010865

## Section 3 Company Profile (Continued)

### V. BRANCH OFFICES

As of 31 December 2017, the Company had two branch offices in Shenzhen and Changchun, respectively, details of which are as follows:

No.	Name	Address (in China)	Date of establishment	Person		Telephone (+86)
				Working capital	in charge	
				<i>RMB0'000</i>		
1	Hengtai Securities Co., Ltd, Shenzhen Branch Office (恒泰证券股份有限公司 深圳分公司)	Rooms 2001-2020, Shenzhen Central Business Building, No. 88 Fuhua First Road, Futian District, Shenzhen (深圳市福田區福華一路88號 深圳中心商務大廈2001-2020室)	17 August 2009	500	Hu Sanming (胡三明)	0755-82033486
2	Hengtai Securities Co., Ltd, Changchun Branch Office (恒泰证券股份有限 公司长春分公司)	5/F, Dong'er'tiao East, Zhujiang Road North, Kuancheng District, Changchun, Jilin Province (吉林省長春 市寬城區珠江路北東二條東五樓)	27 May 2014	300	Cao Yalou (曹亞樓)	0431-82942266

### VI. DISTRIBUTION OF SECURITIES BRANCHES

As of 31 December 2017, the Company had a total of 144 securities branches (please refer to Appendix to this report), among which, 8 were newly established in 2017 (please refer to "IV. (I) Branches of the Company" under Section 5 "Management Discussion and Analysis" of this report). Number and distribution of securities branches of the Company are as follows:

Location (PRC)	Number of securities branches	Location (PRC)	Number of securities branches
Inner Mongolia Autonomous Region	27	Hubei Province	2
Guangdong Province	23	Guangxi Zhuang Autonomous Region	2
Shanghai	20	Shanxi Province	1
Beijing	19	Hebei Province	1
Jilin Province	14	Chongqing	1
Zhejiang Province	13	Shaanxi Province	1
Shandong Province	8	Henan Province	1
Liaoning Province	4	Hunan Province	1
Fujian Province	2	Tianjin	1
Jiangsu Province	2	Sichuan Province	1

# Section 4 Summary of Accounting and Business Data

## I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES

(Accounting data and financial indexes set out in this report are prepared in accordance with the International Financial Reporting Standards)

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

Item	2017	2016	Increase/ (decrease) from last period	2015
<b>Operating results (RMB'000)</b>				
Revenue and other income	<b>3,914,653</b>	3,541,155	10.55%	5,676,190
Profit before tax	<b>1,012,905</b>	642,577	57.63%	2,195,270
Profit for the year-attributable to ordinary shareholders of the Company	<b>706,202</b>	454,723	55.30%	1,700,772
Net cash (used in)/generated from operating activities	<b>(1,970,096)</b>	1,384,606	(242.29%)	(1,941,863)
<b>Earnings per share (RMB/share)</b>				
Basic earnings per share <sup>1</sup>	<b>0.23</b>	0.14	64.29%	0.72
Diluted earnings per share <sup>1</sup>	<b>0.23</b>	0.14	64.29%	0.72
<b>Profitability index</b>				
Weighted average rate of return on net assets (%) <sup>2</sup>	<b>7.06</b>	4.38	Increased by 2.68 percentage points	26.62

## Section 4 Summary of Accounting and Business Data (Continued)

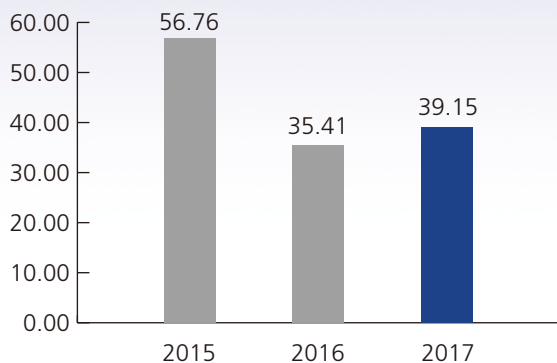
Item	31 December 2017	31 December 2016	Increase/ (decrease) from the end of last period	31 December 2015
<b>Scale indicators (RMB'000)</b>				
Total assets	<b>36,416,987</b>	37,148,596	(1.97%)	39,167,673
Total liabilities	<b>25,474,555</b>	27,212,391	(6.39%)	29,434,641
Accounts payable to brokerage clients	<b>10,028,333</b>	12,201,337	(17.81%)	13,977,558
Equity attributable to ordinary shareholders and holders of perpetual capital securities	<b>10,571,277</b>	9,660,960	9.42%	9,531,668
<b>Total share capital ('000 shares)</b>	<b>2,604,567</b>	2,604,567	0.00%	2,604,567
Net assets per share attributable to ordinary shareholders <sup>3</sup> (RMB/share)	<b>3.48</b>	3.13	11.18% Decreased by 1.64 percentage	3.08
Gearing ratio (%) <sup>4</sup>	<b>58.53</b>	60.17	points	61.36

*Notes:*

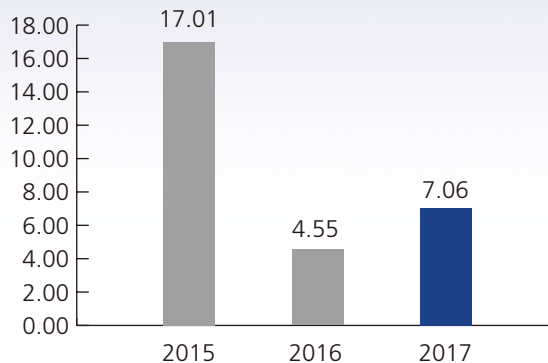
- The index is calculated based on the assumption of deducting the dividends of the holders of cumulative perpetual capital securities.
- Weighted average rate of return on net assets (%) =  $P / (E_0 + P \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0)$ , in which P represents net profit attributable to ordinary shareholders of the Company during the Reporting Period;  $E_0$  represents net assets attributable to ordinary shareholders of the Company at the beginning of the period;  $E_i$  represents additional net assets from issuance of new shares or from debt to equity attributable to ordinary shareholders of the Company during the Reporting Period;  $E_j$  represents reduced net assets from repurchase or from cash dividend attributable to ordinary shareholders of the Company during the Reporting Period;  $M_0$  represents the number of months of the Reporting Period;  $M_i$  represents the accumulative number of months calculated from the month following the additional net assets to the end of the Reporting Period;  $M_j$  represents the accumulative number of months calculated from the month following the reduced net assets to the end of the Reporting Period.
- Net assets per share attributable to ordinary shareholders = (equity attributable to ordinary shareholders and holders of perpetual capital securities – perpetual capital securities)  $\div$  total share capital
- Gearing ratio (%) = (total liabilities – account payables to brokerage clients) / (total assets – account payables to brokerage clients)

## Section 4 Summary of Accounting and Business Data (Continued)

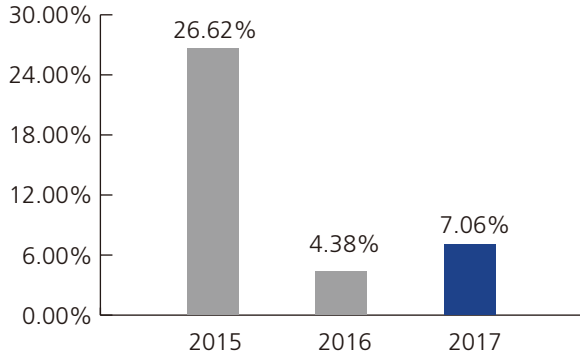
**Revenue and other income  
(RMB100 million)**



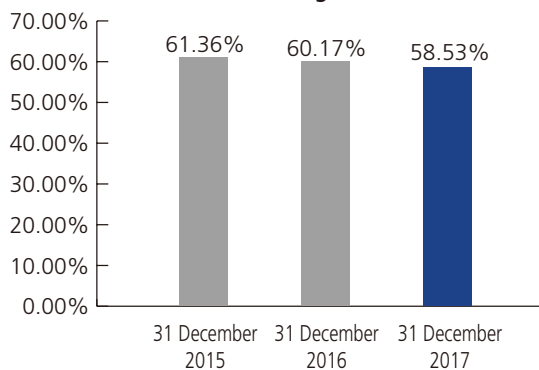
**Profit attributable to shareholders/  
ordinary shareholders of the Company  
(RMB100 million)**



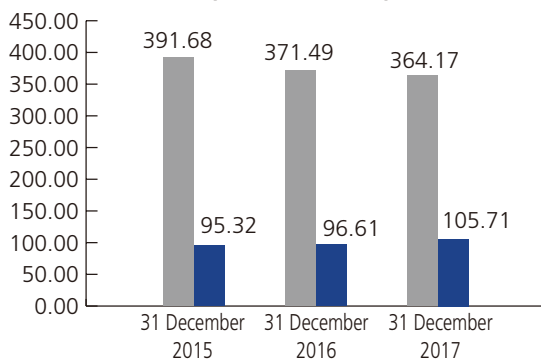
**Weighted average return  
on net assets**



**Gearing ratio**



**Scale indicators  
(RMB100 million)**



- Total assets
- Equity attributable to shareholders of the Company/ordinary shareholders of the Company and holders of perpetual capital securities



## Section 4 Summary of Accounting and Business Data (Continued)

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

Earnings (RMB'000)

Item	2017	2016	2015	2014	2013
Revenue and other income	<b>3,914,653</b>	3,541,155	5,676,190	2,269,453	1,422,200
Total operating expenses	<b>(2,900,062)</b>	(2,897,455)	(3,493,386)	(1,447,271)	(897,705)
Profit before tax	<b>1,012,905</b>	642,577	2,195,270	837,334	524,076
Profit for the year – attributable to ordinary shareholders of the Company	<b>706,202</b>	454,723	1,700,772	654,105	399,095

Assets, liabilities and equity (RMB'000)

Item	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Total assets	<b>36,416,987</b>	37,148,596	39,167,673	21,817,518	9,880,133
Total liabilities	<b>25,474,555</b>	27,212,391	29,434,641	16,542,521	5,223,246
Accounts payable to brokerage clients	<b>10,028,333</b>	12,201,337	13,977,558	7,555,457	3,722,632
Equity attributable to ordinary shareholders and holders of perpetual capital securities	<b>10,571,277</b>	9,660,960	9,531,668	5,274,997	4,656,887
Total share capital ( <i>'000 shares</i> )	<b>2,604,567</b>	2,604,567	2,604,567	2,194,707	2,194,707

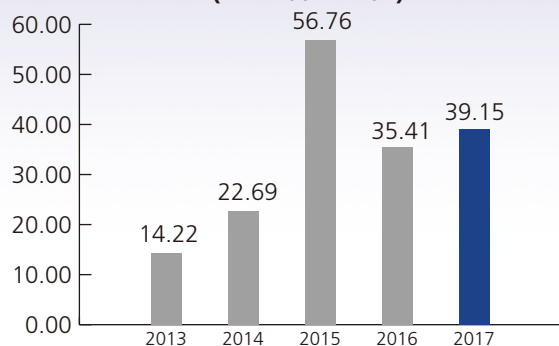
## Section 4 Summary of Accounting and Business Data (Continued)

### Key financial indexes

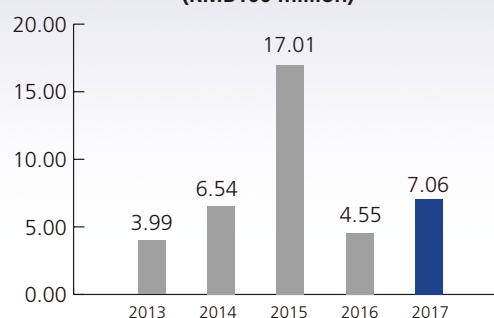
<b>Item</b>	<b>2017</b>	2016	2015	2014	2013
Basic earnings per share <i>(RMB/share)</i>	<b>0.23</b>	0.14	0.72	0.30	0.18
Diluted earnings per share <i>(RMB/share)</i>	<b>0.23</b>	0.14	0.72	0.30	0.18
Weighted average return on net assets (%)	<b>7.06</b>	4.38	26.62	13.22	8.85
	<b>31 December</b>	31 December	31 December	31 December	31 December
	<b>2017</b>	2016	2015	2014	2013
Gearing ratio (%)	<b>58.53</b>	60.17	61.36	63.01	24.37
Net assets per share attributable to ordinary shareholders <i>(RMB/share)</i>	<b>3.48</b>	3.13	3.08	2.40	2.12

## Section 4 Summary of Accounting and Business Data (Continued)

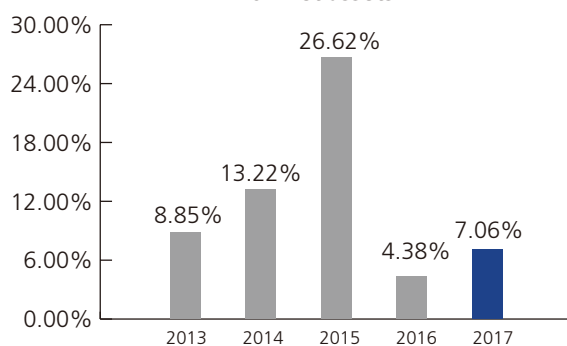
**Revenue and other income  
(RMB100 million)**



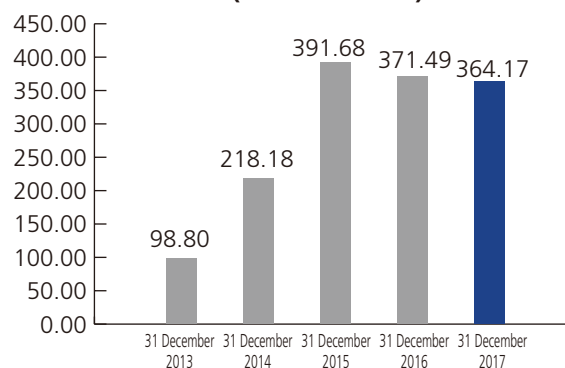
**Profit attributable to shareholders/  
ordinary shareholders of the Company  
(RMB100 million)**



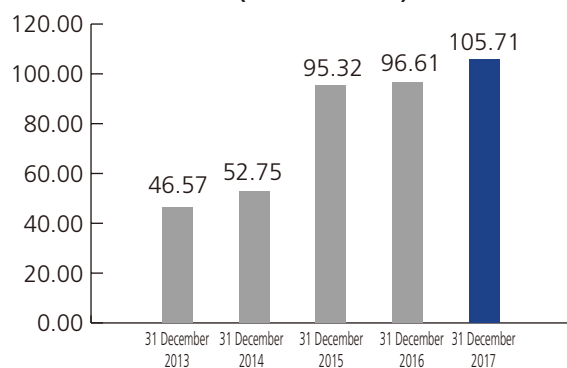
**Weighted average return  
on net assets**



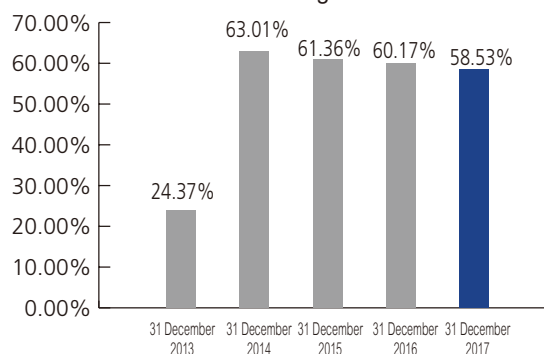
**Total assets  
(RMB100 million)**



**Total equity attributable to shareholders of  
the Company/ ordinary shareholders of  
the Company and holders of  
perpetual capital securities  
(RMB100 million)**



**Gearing ratio**



## Section 4 Summary of Accounting and Business Data (Continued)

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

The consolidated financial statements prepared by the Company in accordance with International Financial Reporting Standard and the consolidated financial statements prepared in accordance with China's Accounting Standards for Business Enterprises show no material difference on the net profit for 2017 and 2016 and the net assets as at 31 December 2017 and 31 December 2016.

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

As at 31 December 2017, the Company's net capital amounted to RMB 7,834.24 million, representing an increase of RMB968.71 million as compared to RMB6,865.53 million at the end of 2016. During the Reporting Period, related risk control indexes including the Company's net capital met the regulatory requirements.

*Unit: in RMB'000*

Item	31 December 2017	31 December 2016	Regulatory standard
Net capital	<b>7,834,239</b>	6,865,531	N/A
Including : Net core capital	<b>5,734,239</b>	5,265,531	N/A
Net supplement capital	<b>2,100,000</b>	1,600,000	N/A
Net assets	<b>9,939,416</b>	9,442,948	N/A
Total risk capital provision	<b>3,844,433</b>	2,980,246	N/A
Total assets on and off statement of financial position	<b>21,841,596</b>	23,004,162	N/A
Risk coverage ratio	<b>203.78%</b>	230.37%	≥100%
Capital leverage ratio	<b>26.25%</b>	22.89%	≥8%
Liquidity coverage ratio	<b>520.72%</b>	824.68%	≥100%
Net stable funding ratio	<b>154.83%</b>	131.44%	≥100%
Net capital/net assets	<b>78.82%</b>	72.71%	≥20%
Net capital/liabilities	<b>71.19%</b>	53.95%	≥8%
Net assets/liabilities	<b>90.32%</b>	74.20%	≥10%
Proprietary equity securities and securities derivatives/net capital	<b>33.28%</b>	40.09%	≤100%
Proprietary non-equity securities and securities derivatives/net capital	<b>86.58%</b>	98.93%	≤500%

# Section 5 Management Discussion and Analysis

## I. ECONOMIC AND MARKET ENVIRONMENT DURING THE REPORTING PERIOD

During the Reporting Period, China's macro-economy was running smoothly with an improved structure. In the year, China's GDP grew by 6.9% year-on-year, 0.2 percentage point higher than that of the same period of 2016. Global economy continued to recover while the Federal Reserve raised interest rates for three times and announced to shrink its balance sheet. Against such context, the People's Bank of China continued to implement a prudent and neutral monetary policy, thereby maintained moderate liquidity in the banking system, with steady growth in monetary loans and social financings, interest rates staying at an appropriate level and market expectations for the exchange rate of Renminbi staying generally stable. In the year, newly-added social financings totaled RMB19.44 trillion, representing an increase of RMB1.63 trillion compared to 2016, with growth of broad money and narrow money by 8.2% and 11.8% year-on-year, respectively.

During the Reporting Period, major Chinese stock indices had markedly varied performances, and the trading volumes declined slightly as compared with 2016. In 2017, the Shanghai Composite Index opened at 3,105.31 points, and then plunged to 3,016.53 points and closed at 3,307.17 points at the end of the year, representing an increase of 6.50% for the year; the Shenzhen Component Index opened at 10,205.14 points at the beginning of the year, and then plunged to 9,482.84 points and closed at 11,040.45 points at the end of the year, representing an increase of 8.19% for the year; the CSI 300 Index opened at 3,313.95 points and closed at 4,030.86 points at the end of the year, representing an increase of 21.63% for the year; the GEM Index opened at 1,965.04 points and closed at 1,752.65 points at the end of the year, representing a decrease of 10.81% for the year. In 2017, the trading volumes in the Shanghai and Shenzhen stock markets decreased slightly as compared with 2016, among which the turnover of stocks and funds on Shanghai Stock Exchange amounted to RMB58,941.255 billion, the turnover of stocks and funds on Shenzhen Stock Exchange amounted to RMB63,673.733 billion, and the total turnover of stock and funds in the Shanghai and Shenzhen stock markets amounted to RMB122,614.988 billion, representing a year-on-year decrease of 11.73%. (data source: websites of State Statistics Bureau, People's Bank of China, Shanghai Stock Exchange and Shenzhen Stock Exchange, Wind Info)

## II. ANALYSIS OF PRINCIPAL BUSINESS

During the Reporting Period, the Group recorded revenue and other income of RMB3,914.65 million and a net profit of RMB769.07 million, representing an increase of 10.55% and 47.29% as compared to 2016, respectively.

### (I) Brokerage and wealth management business

During the Reporting Period, the revenue and other income from brokerage and wealth management business amounted to RMB1,668.38 million, representing a decrease of 9.30% as compared to 2016.

## Section 5 Management Discussion and Analysis (Continued)

### 1. Securities brokerage

During the Reporting Period, in adherence to the “client-centric” service concept, while making positive efforts to broaden online cooperation channels and improving its influence in the industry through reinforcement of internet financial service concept and stable improvement of online service standard, the Company continued to optimize the service functions of “Toupai (頭派)” and “Jinyu Manager (金玉管家)” APP, thus improved the user experience significantly. Meanwhile, the Company has been perfecting the network layout of the branches and further sparking the operating vitality of the light branches through intensified assessment, supervision and training system, which resulted in marked increase in client headcount, assets under custody and business income. In addition, the Company continued to carry forward the institutional business, took initiative to introduce institutional partners concerning private funding, trusts and public offering and devoted greater efforts to develop high net worth clients. During the Reporting Period, assets under custody for institutional clients increased by RMB14,336.87 million.

During the Reporting Period, the number of new accounts opened reached 220,400, and the total number of clients reached 2,278,300, representing an increase of 10.23% as compared with the end of 2016. The total assets under custody for clients reached RMB153,959.41 million, representing a decrease of 2.37% as compared with the end of 2016. The turnover of stocks and funds reached RMB1,523,777.28 million, representing a decrease of 0.05% as compared with 2016 and ranked the 39th in the industry, leveling up two notches from the 41st place at the beginning of the year, while the market share of stocks and funds was 0.62%, representing an increase of 12.72% as compared with 2016.

#### Prospects for 2018

The Company will continue to seek new development of securities brokerage business by promoting the business with innovation, to further advance the transformation of revenue model. Additional efforts will be exerted by the Company to strengthen the management of account opening, expedite the transformation and innovation of branches and guide the branches to cooperate with private equity firms, so as to expand the sale volume of financial products and the size of assets under custody at a fast pace. Moreover, the Company will strengthen staff training, solidify its investment and consultation efforts and level up the service standard of investment and consultation. Meanwhile, it will also establish an online investment and consultation platform that integrates the basic elements regarding clients, staff and products so as to facilitate seamless communication between staff and client, thus satisfying the diversified and individualized investment demands of clients.

## Section 5 Management Discussion and Analysis (Continued)

### 2. Futures brokerage

During the Reporting Period, the futures brokerage business of Hengtai Futures was in the acceleration process of transformation, and Hengtai Futures constantly replenished the business lines, capitalized on opportunities in the market and managed to become one of the first group of members of Shanghai International Energy Exchange. Apart from setting up new outlets and consolidating the foundation of its traditional brokerage business, Hengtai Futures laid emphasis on the development of institutional clients, industrial clients and special legal person clients aiming for the continuous betterment of income structure. In addition, an industry service center was established whereby to steam up risk management business and explore new mode catering to the industrial clients. This year, Hengtai Futures was honored with the Gold Award of Excellent Member (優秀會員金獎) by China Financial Futures Exchange and the Growth Futures Company of the Year (年度成長性期貨公司獎項) and the Golden Reputation Futures Company of the Year (年度金口碑期貨公司) at the 15th Financial and Economic Achievement Chart in 2017. Thanks to its comprehension of the policy orientation, Hengtai Futures was qualified as one of the first batch of investor education bases (online). During the Reporting Period, the number of newly-added clients of Hengtai Futures was 4,070.

#### Prospects for 2018

Hengtai Futures will conduct closer cooperation with enterprises and financial institutions in respect of bulk commodities and financial derivatives, make arrangements for the risk management business, deepen regional management and push forward the layout of the regionalized outlets. Meanwhile, it will accelerate the transformation of the Internet Institute so as to smooth the way for the establishment of a Hengtai-characterized online institute and thereby improve its influence in the industry. In addition, it will advance the construction of an echelon of professional personnel and press ahead the qualification application for proxy sale of securities investment funds.

## Section 5 Management Discussion and Analysis (Continued)

### 3. Wealth management

During the Reporting Period, the Company stayed current on the development trace of macro economy to promote the sale of financial products of the Company and work concerning wealth management under the asset allocation concept in a client-centric and market-oriented manner. It consummated the sales structure of financial products through standardized entry and scientific assessment. In addition to intensifying efforts to the sale of private securities investment funds and providing high-net-worth clients with individualized and high-quality wealth management services, it also effectively promoted the sale of public funds and other products and stressed the guidance and education on the concept of long-term disposition for scattered investors on condition of a stable sales scale. Meanwhile, it also built the self-owned APP of the Company into a comprehensive investment and consultation service platform and further improved the users' experience thereon so as to lay a solid foundation for in-depth services for the clients. Furthermore, the Company enhanced risk control measures, reinforced the risk consciousness and leveled up compliance operation standards. Throughout the year, the Company sold 97 financial products and recorded sales of RMB8,769 million, representing an increase of 1.2% as compared to that of 2016.

#### Prospects for 2018

Viewing wealth management as its core business among the brokerage businesses, the Company will insist on positioning of prioritizing private funds while normalizing public funds. It will continue to replenish product supply, ameliorate the product structure and take more innovative service measures while refining the operation and maintenance systems. Moreover, it will further strengthen management of compliance operation, improve the compliance consciousness of its employees, spend more efforts on education of risk consciousness of the investors and undertake work in relation to the suitability of clients. The Company strives to scale up its sales of financial products and improves its influence in the industry by effective implementation of various measures.

### 4. Capital-based intermediary business

During the Reporting Period, while improving the quality of services to the clients, the Company also devoted great efforts to develop prime clients, exert reasonable control over capital utilization and reinforce control over business risks. As at the end of the Reporting Period, the size of stock-pledged repurchase amounted to RMB849.12 million, representing a decrease of 12.16% as compared to the end of 2016; the balance of loans of the margin financing and securities lending business amounted to RMB5,352.30 million, representing an increase of 3.45% as compared to the end of 2016.



## Section 5 Management Discussion and Analysis (Continued)

### Prospects for 2018

The Company will level up the client service standards so as to attract prime client resources, promote the scaling up of financing business and stabilize the interest rate of margin financing and securities lending by way of providing the clients with professional investment advice. Meanwhile, it will intensify capital management and control capital costs within a reasonable scope so as to further increase the profit margin of margin financing and securities lending. Moreover, it will improve risk management by reasonable control over risks and intensified efforts on education of investors and client suitability management.

#### 5. Asset custody business

For asset custody business, the Company continued to maintain a rapid development and made it a new revenue growth driver through reinforcing market development and other means during the Reporting Period. As at the end of the Reporting Period, the Company provided custody services for 1,216 funds and provided fund services for 1,022 funds. As a result, the total size of asset custody and fund services soared to RMB111,860 million, representing an increase of RMB63,268 million as compared with the end of 2016.

### Prospects for 2018

For asset custody business, the Company will proactively develop large fund managers and focus of its business layout will be placed on economically developed regions. It will further develop institutional customers including financial institutions, enhance quality of customer service, and expand business cooperation channels to strengthen in-depth cooperation with various financial institutions.

## (II) Investment banking business

During the Reporting Period, the revenue and other income from investment banking business amounted to RMB295.16 million, representing a decrease of 34.51% as compared to 2016.

The year 2017 witnessed the in-depth regularization development of capital market in China. In the development course of investment banking business, Hengtai Changcai adapted to the changes in the market while actively capitalizing on the opportunities arising from such changes in close adherence to the regulatory requirements, thereby achieving stable development in businesses including equity financing and debt financing.

## Section 5 Management Discussion and Analysis (Continued)

### 1. Equity financing

During the Reporting Period, the A share primary market in China maintained an active development momentum. During the Reporting Period, Hengtai Changcai completed 2 IPO projects and 2 refinancing projects, achieving a total financing amount of RMB3,054 million.

### 2. Debt financing

The growth of primary market of bonds in China slowed down with regard to the issue size in 2017. During the Reporting Period, while solidifying its own strength in respect of enterprise bond, Hengtai Changcai made proactive attempts on new business directions. As a result, it completed 17 enterprise bonds projects and 4 financial bonds projects, achieving a total financing amount of RMB11,050 million.

#### Prospects for 2018

In the progress of continuous development, Hengtai Changcai will follow closely with the requirements of laws and regulations, strictly control various risks and adapt to changes in the market when proactively developing innovation-based business and expanding its business channels on condition of continuous enhancement of its own strengths. Meanwhile, it will constantly intensify cooperation with the existing partners and tap into high quality enterprises and projects so as to pave the way for its future development. Holding fast to the mission of serving the real economy, it will constantly increase input in direct financing businesses such as IPO, refinancing and direct debt financing and improve its competitive edges.

### 3. Business of listing on the NEEQ

During the Reporting Period, the promulgation of new policies and regulations in the NEEQ market resulted in a stringent regulatory attitude towards the industry, continuous growing demands for business standardization and on-going mounting competition within the industry. The business department for listing on the NEEQ endeavored to improve the operation capability of the team, exerted strict control over the operation standard and quality for the proposed listing companies, consummated the internal control systems, proactively guarded against risks and pressed onward business synergy and cooperation, which resulted in a smooth and healthy development status. During the Reporting Period, the Company completed 48 listing projects, ranking the 15th in the listing recommendation market (source: choice finance terminal of Eastmoney) and 23 targeted capital increase projects and merger and reorganization projects. As at the end of the Reporting Period, it provided continuous steering services for 119 listed companies, ranking the 32nd in the market (source: choice finance terminal of Eastmoney).

## Section 5 Management Discussion and Analysis (Continued)

### Prospects for 2018

The Company will continue to replenish its business types, accelerate the implementation of the existing projects and carry forward the development of derivative businesses such as targeted capital increase and merger and reorganization of listed companies. It will also make efforts to improve the quality of newly signed projects, prolong the business value chain and create benefits synergistically in active cooperation with other departments of the Company and improve the subsequent customer service capability. In addition, it will strictly follow the regulatory and guidance requirements, ameliorate the kernel internal control mechanism and improve the capability to comprehend and control risks so as to guarantee the effective completion of business projects at high quality.

### (III) Investment Management Business

During the Reporting Period, the revenue and other income from investment management business amounted to RMB980.15 million, representing an increase of 0.34% as compared to 2016.

#### 1. Assets management

During the Reporting Period, the whole financial industry was shrouded in powerful regulation atmosphere, which led to slower growth of the size of assets management in the industry. In such circumstances, in respect of assets management business, the Company accommodated itself to the industry tendency and reinforced the sale to improve scale growth while emphasizing the improvement of initiative in management. So far, five innovation-based product lines under collective scheme has come into formation, which was comprised of the series products relating to Chuangfu, Wenjian Huifu, Anxin Targeted Issuance, cash products and FOF Smart Choice. Meanwhile, it took initiative to develop new products which gave prominence to overseas investment and quantitative investment based on the development propensities of products and market demands. All the equity-based active management products turned out profitable in the year and achieved excellent performance in respect of ranking among competing products, thus laying a solid foundation for diversifying the equity-based product line in the forthcoming year.

In 2017, in spite of disadvantaged development situation of the asset securitization business, the Company was still credited with recognition and praise by certain industries. During the Reporting Period, the Company was successively awarded with the Best Structure Award for Usufruct-related ABS by China Asset Securitization Research Institute, as well as the Best Principal Underwriter, Award for Investors' Favorite Enterprise Usufruct-related Asset Securitization Products, Award for Best Established Asset Securitization Products concerning REITs and Commercial Real Estate Mortgage Loans and Award for Best Received Factoring Asset Securitization Products at the 2016 to 2017 Asset Securitization Jiefu Awards hosted by Caishi China.

## Section 5 Management Discussion and Analysis (Continued)

As at the end of the Reporting Period, the numbers of subsisting products of the collective, targeted asset management schemes and the ABS special scheme were 32, 66 and 26 respectively.

As at the end of the Reporting Period, the total size of asset management business valued RMB116,100.36 million, representing an increase of 49.80% as compared to that as at the end of 2016, of which the size of collective scheme amounted to RMB2,984.86 million, targeted scheme amounted to RMB78,850.73 million, asset securitisation amounted to RMB34,264.77 million.

### Prospects for 2018

In respect of asset management, the Company will continue to scale up the active management business, enhance capability of equity investment and improve its core competitiveness. Furthermore, the construction of investment research system will be consummated so as to ripen the fruits of investment research. In addition, it will replenish the asset management product lines, enhance its creativity in products and stress the layout with regard to equity-based and fixed income investment products. In respect of asset securitization, the Company will continue to proactively store up projects and strive to maintain its professional role in the market in the asset securitization sector in the future and thereby embrace manifold development opportunities in the trading markets. Meanwhile, it will continue to develop thorough cooperation with banks and insurance setups, conduct innovation on the business mode in combination of investment and financing and purchase and sales and further meliorate the business systems, reinforce compliance consciousness and comprehend and control operation risks, whereby the smooth development of its businesses can be ensured.

### 2. Fund management

During the Reporting Period, as it is highly susceptible to the polarized market quotation, equity-based funds scaled down in respect of size. In comparison, bond-based funds performed noticeably well and substantially increased in respect of size. In active response to the adverse market factors, New China Fund enhanced its capability in market expansion and channel maintenance and spared no efforts to push ahead the businesses.

## Section 5 Management Discussion and Analysis (Continued)

As at the end of the Reporting Period, New China Fund had 45 publicly-raised funds with management size of RMB44,015 million, representing a year-on-year decrease of RMB64 million or 0.15%. The size of asset management with special accounts reached RMB18,209 million, representing a year-on-year increase of RMB4,909 million or 36.91%.

### Prospects for 2018

While maintaining the stable performance of bond-based funds, New China Fund will be devoted to leveling up the performance of investment in equity-based fund and spend more efforts on marketing with the view to achieving rapid increase in the size and profit margin of fund management. It will reinforce the construction of the investment research team so as to maintain its core competitiveness in respect of investment research; strive to capitalize on opportunities in the market to sell funds and facilitate the increase in the size of fund management; set new records in respect of special accounts business while consolidating the existing achievements; give the reign to the support effects of the mid and back end, intensify standardized management and improve work efficiency and quality to advance business development; devote more efforts to work concerning auditing, supervision and information disclosure, carry out procedural and information-based risk control and strive to eliminate operation risks; and boost brand promotion work.

### 3. Private equity investment

During the Reporting Period, as required by the Management Standards for Private Investment Fund Subsidiary of Securities Company promulgated by the Securities Association of China, Hengtai Capital ceased to carry out direct investment business and therefore phased out its old projects so as to strengthen the post-investment management of the existing businesses and vigorously carry out private equity investment funds business. During the Reporting Period, Hengtai Capital established 5 private equity funds and invested in 7 projects and recorded a total amount of RMB3,669 million in newly added fund investment. Besides, it reserved a number of new projects.

## Section 5 Management Discussion and Analysis (Continued)

### Prospects for 2018

Given the business transformation from direct investment business into private invested funds and financial consultancy, Hengtai Capital will reorient the development strategies towards the energetic development of private equity funds and set up clear business path for the future including branching out investment in private equity funds and strengthening the team-based sales capacity so as to improve profitability. It will continue to carry out the post-investment management of the existing businesses so as to pull out of projects and cash down the equity interests in projects under lock-up period. In addition, Hengtai Capital will uphold the corporate development concept featuring openness and inclusiveness to attract preeminent brains and tirelessly promote the corporate culture construction, thereby improving cohesiveness and cooperative effects and establishing professional investment and sales teams.

#### 4. Alternative investment

During the Reporting Period, Hengtai Pioneer completed exit of certain invested projects in accordance with the Management Standards for the Alternative Investment Subsidiaries of Securities Companies (《證券公司另類投資子公司管理規範》) of the Securities Association of China and enhanced post-investment management of the remaining projects. Furthermore, it energetically explored new businesses by specializing in the investment of equity and financial products other than investment products with its own funds as stated in the List of Securities Investment Products for the Proprietary Trading of Securities Companies (《證券公司證券自營投資品種清單》) stipulated by the CSRC. Meanwhile, it also made corresponding amendments to the systems and conducted ameliorating construction thereon so as to normalize the post setups and operation routine of business investment and intensify internal control and risk management.

### Prospects for 2018

Hengtai Pioneer will continue to carry forward business transformation, focus on investment with its own funds, further improve its internal control systems and guarantee the efficient operation of the institutional system and risk control mechanism, thereby strengthening its professional investment ability and effectively guarding against investment risks.

## Section 5 Management Discussion and Analysis (Continued)

### (IV) Proprietary Trading Business

During the Reporting Period, the revenue and other income from the proprietary trading business amounted to RMB887.79 million, representing an increase of 339.04% as compared to 2016.

In terms of stock investment, following the investment principle of stable operation and strict risk control, the Company selected blue-chip enterprises with advantageous appraised value and liquidity premium to constitute the investment portfolio on condition of strict risk control in combination of control over the total amounts and process risks. Meanwhile, it also proactively develop other profit-making pipelines and push forward innovative businesses such as ETF market-making, quantitative hedging and business concerning Hong Kong Stock Connect, which paid off eminently.

In terms of fixed income business, the Company seized the periodical market opportunities to carry out arbitrage and hedging practice with regard to treasury bond futures and proactively advanced innovative businesses including interest rate swap, and dealer-quoted bond repurchase transactions so as to increase portfolio income, strictly control credit risks and reduce financing costs, which brought along admirable investment gains.

In terms of the share transfer market-making business, as affected by a number of adverse factors, the NEEQ manifested a poor performance during the Reporting Period. Under such circumstances, in order to prevent the risks, the Company reduced its size of position in respect of market-making business to a fair extent and thereby achieved its loss reduction goal under such adverse market conditions.

Prospects for 2018

In terms of stock investment business, the Company will continue to apply the value-oriented investment concept to effectively level up the overall income rate through concentrated implementation of major investments, capture of assured income, control of investment pace and cost and capitalizing on periodical and topical opportunities. In this regard, it will also vigorously carry forward innovative business and devote greater efforts to business concerning Hong Kong Stock Connect and quantitative investment so as to expand profit-making pipelines. In terms of bond investment business, while deepening market research, the Company will steadily conduct arbitrage and hedging transactions in relation to treasury bond futures and step up to promote derivative businesses such as the exchange-quoted repurchase, interest rate swap and credit default swap. In terms of the share transfer market-making business, the Company will lay emphasis on the investment in and service to high-quality enterprises and make timely adjustment to the market-making strategies in close adherence to the development status of enterprises under market making, aiming for the income maximization. Besides, it will also actively explore and develop strategies for automated market-making trading and carry out other service projects other than those concerning market making.

## Section 5 Management Discussion and Analysis (Continued)

### (V) International Business

In 2017, the Company continued to push ahead its international business by proactively contacting the potential cooperative institutions and establishing communications and cooperation with them. Meanwhile, the Company explored the overseas business opportunities, understood the demand of its clients for the overseas market and carried out relevant matching work. Further, it selected and reserved talents in foreign affairs and worked out overseas training program for the senior management, laying a sound foundation for the smooth development of its business.

Prospects for 2018

The Company will fully expand its resource network for international business, continually explore and foster various businesses in the overseas market and actively push ahead the application for establishment of the Hong Kong subsidiary, thus promoting the development of international business.

## III. FINANCIAL STATEMENTS ANALYSIS

### (I) Analysis on the profitability during the Reporting Period

During the Reporting Period, the Group recorded revenue and other income of RMB3,914.65 million in aggregate, representing a year-on-year increase of 10.55%. Net profit attributable to shareholders of the Company amounted to RMB706.20 million, representing a year-on-year increase of 55.30%. Earnings per share amounted to RMB0.23, representing a year-on-year increase of 64.29%. Weighted average return on net assets was 7.06%, representing a year-on-year increase of 2.68 percentage points.

### (II) Asset structure and asset quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB36,416.99 million, down by 1.97% as compared to RMB37,148.60 million as at the end of 2016. Total liabilities amounted to RMB25,474.56 million, down by 6.39% as compared to RMB27,212.39 million as at the end of 2016. Equity attributable to shareholders of the Company amounted to RMB10,571.28 million, up by 9.42% as compared to RMB9,660.96 million as at the end of 2016.



## Section 5 Management Discussion and Analysis (Continued)

The Group's asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, the total assets of the Group comprised of: cash assets, which primarily included cash and bank balances (including cash held on behalf of brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB13,218.13 million, representing 36.30% of the Group's total assets; margin assets, which primarily included margin accounts receivable and financial asset held under resale agreements, amounted to RMB6,984.49 million, representing 19.18% of the Group's total assets; financial investment assets, which primarily included investment in associates and investment in financial assets, amounted to RMB14,753.96 million, representing 40.51% of the Group's total assets; save for the above items, assets of other categories amounted to RMB1,460.41 million, representing 4.01% of the Group's total assets.

The Group's gearing ratio and operating leverage ratio remained relatively stable. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB15,446.23 million, representing a year-on-year increase of RMB435.18 million or 2.90%. The gearing ratio of the Group was 58.53%, down by 1.64 percentage points from 60.17% as at the end of 2016 (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 2.50 folds, down by 3.10% from 2.58 folds as at the end of 2016 (Note: operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

### **(III) Financing channels and financing ability**

Capital requirement of operation is met through debt financing. During the Reporting Period, the Company met its operating capital requirement through debt financing. Debt financing of the Company included the issuance of subordinated bonds, margin and securities refinancing, beneficiary certificates and transfer of income right of margin financing and securities lending. During the Reporting Period, the Company raised proceeds of RMB1,500 million from issuance of "3+2" subordinated bonds. Accumulated placements from China Securities Finance Corporation Limited amounted to RMB5,400 million. Accumulated proceeds from the transfer of income right of margin financing and securities lending amounted to RMB2,600 million. Accumulated capital inflow from beneficiary certificates amounted to RMB1,600 million. Meanwhile, the Company received comprehensive credit line with greater limit granted by several banks.

### **(IV) Liquidity management of the Company**

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

## Section 5 Management Discussion and Analysis (Continued)

### (V) Cash flow

Net cash flow of the Group arising from operating activities for 2017 amounted to RMB-1,970.10 million, down by RMB3,354.71 million from RMB1,384.61 million in the corresponding period in 2016. Net cash flow arising from investment activities for 2017 amounted to RMB2,788.95 million, up by RMB3,980.53 million from RMB-1,191.58 million in the corresponding period in 2016. Net cash flow arising from financing activities for 2017 amounted to RMB-1,723.74 million, down by RMB2,498.84 million from RMB775.10 million in the corresponding period in 2016. Net increase in cash and cash equivalents for 2017 amounted to RMB-904.90 million, down by RMB1,873.03 million from RMB968.13 million in the corresponding period in 2016.

### (VI) Changes in significant accounting policies and estimates

During the Reporting Period, changes in the significant accounting policies of the Company were as follows:

On 28 April 2017, the Ministry of Finance of China issued the Accounting Standards for Business Enterprises No. 42 – Non-current assets held for sale, disposal groups and discontinued operation based on Cai Kuai [2017] No. 13, and such accounting standards were implemented since 28 May 2017. On 10 May 2017, the Ministry of Finance of China issued the Accounting Standards for Business Enterprises No. 16 – Government grants (2017 revision) based on Cai Kuai [2017] No. 15, and such accounting standards were implemented since 12 June 2017. The Company started to implement the above two accounting standards according to the schedule required by the Ministry of Finance of China.

Accounting Standards for Business Enterprises No. 42 – Non-current assets held for sale, disposal groups and discontinued operation defines the classification, measurement and disclosure of non-current assets held for sale or disposal groups, and the disclosure of discontinued operation.

Prior to the implementation of the Accounting Standards for Business Enterprises No. 16 – Government grants (2017 revision), the Company included the government grants received in the non-operating income. After the implementation of the Accounting Standards for Business Enterprises No. 16 – Government grants (2017 revision), the Company included the government grants relating to ordinary activities and existed after 1 January 2017 in other income; the government grants not relating to ordinary activities would be included in non-operating income.

During the Reporting Period, there is neither material change in the significant accounting estimates of the Company, nor the correction of material accounting errors.

## Section 5 Management Discussion and Analysis (Continued)

### (VII) Analysis on operating revenue and profit

1. Items under statement of profit or loss

During the Reporting Period, the Group's profit before tax amounted to RMB1,012.91 million, representing a year-on-year increase of 57.63%. The key financial results are as follows:

*Unit: in RMB million*

Items	2017	2016	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
<b>Revenue</b>				
Fees and commission income	<b>1,945.06</b>	2,281.19	(336.13)	(14.73%)
Interest income	<b>862.42</b>	819.52	42.90	5.23%
Net investment income	<b>1,091.95</b>	420.53	671.42	159.66%
Other income and gains	<b>15.22</b>	19.92	(4.70)	(23.59%)
<b>Total revenue and other income</b>	<b>3,914.65</b>	3,541.16	373.49	10.55%
Total operating expenses	<b>2,900.06</b>	2,897.46	2.60	0.09%
<b>Profit before tax</b>	<b>1,012.91</b>	642.58	370.33	57.63%
Income tax expense	<b>243.83</b>	120.43	123.40	102.47%
<b>Profit for the year</b>	<b>769.07</b>	522.15	246.92	47.29%
Net profit attributable to shareholders of the Company	<b>706.20</b>	454.72	251.48	55.30%

## Section 5 Management Discussion and Analysis (Continued)

### Revenue structure

During the Reporting Period, total revenue and other income of the Group amounted to RMB3,914.65 million, representing a year-on-year increase of 10.55%. Among which, the proportion of commission and fee income was 49.69%, representing a year-on-year decrease of 14.73 percentage points. The proportion of interest income was 22.03%, representing a year-on-year decrease of 1.11 percentage points. The proportion of net investment gains was 27.89%, representing a year-on-year increase of 16.01 percentage points. The revenue structures of the Group in the past five years are as follow:

Items	2017	2016	2015	2014	2013
Fees and commission income	<b>49.69%</b>	64.42%	57.17%	48.76%	56.10%
Interest income	<b>22.03%</b>	23.14%	16.19%	15.03%	12.10%
Net investment income	<b>27.89%</b>	11.88%	25.38%	35.27%	30.30%
Other income and gains	<b>0.39%</b>	0.56%	1.26%	0.94%	1.50%
<b>Total</b>	<b>100.00%</b>	100.00%	100.00%	100.00%	100.00%

## Section 5 Management Discussion and Analysis (Continued)

### Fees and commission income

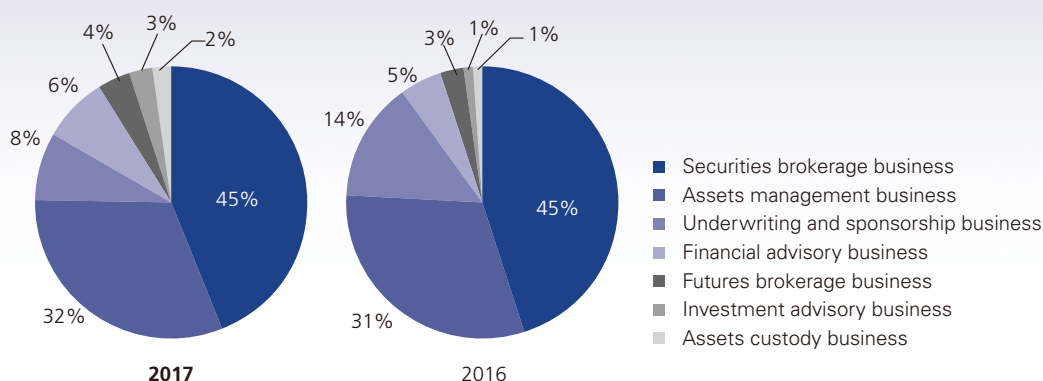
During the Reporting Period, the Group's fees and commission income consists of the following:

*Unit: in RMB million*

Items	2017	2016	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
<b>Fees and commission income</b>				
Securities brokerage business	<b>868.10</b>	1,042.92	(174.82)	(16.76%)
Assets management business	<b>619.25</b>	702.72	(83.47)	(11.88%)
Underwriting and sponsorship business	<b>162.91</b>	314.42	(151.51)	(48.19%)
Financial advisory business	<b>115.54</b>	112.98	2.56	2.27%
Futures brokerage business	<b>70.67</b>	67.22	3.45	5.13%
Investment advisory business	<b>62.72</b>	28.94	33.78	116.72%
Assets custody business	<b>45.87</b>	11.99	33.88	282.57%
<b>Total fees and commission income</b>	<b>1,945.06</b>	2,281.19	(336.13)	(14.73%)
<b>Fees and commission expenses</b>	<b>156.59</b>	165.71	(9.12)	(5.50%)
<b>Net fees and commission income</b>	<b>1,788.47</b>	2,115.48	(327.01)	(15.46%)

## Section 5 Management Discussion and Analysis (Continued)

The Group's fees and commission income consists of:



During the Reporting Period, net fees and commission income of the Group amounted to RMB1,788.47 million, representing a year-on-year decrease of 15.46%. The decrease was primarily attributable to the significant decrease in fees and commission income generated from securities brokerage business, assets management business, and underwriting and sponsorship business.

Fees and commission income generated from securities brokerage business decreased by RMB174.82 million or 16.76% year-on-year, primarily attributable to the upheaval in A share market for the year 2017.

Fees income generated from assets management business decreased by RMB83.47 million, or 11.88% year-on-year, primarily attributable to decrease in income generated from collective assets management business, targeted assets management business, and special assets management business.

Underwriting and sponsorship income generated from investment banking business decreased by RMB151.51 million or 48.19% year-on-year, mainly because a substantial decrease in securities underwriting business income and a decline in sponsoring business income as a result of the effect of market conditions resulted in a significant decrease in business income as compared to the previous year.

## Section 5 Management Discussion and Analysis (Continued)

### Interest income

During the Reporting Period, net interest income of the Group amounted to RMB119.31 million, representing a year-on-year decrease of 6.86%. The Group's net interest income for 2017 consists of the following:

*Unit: in RMB million*

Items	2017	2016	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
<b>Interest income</b>				
Deposit in financial institutions	<b>376.18</b>	336.57	39.61	11.77%
Margin financing and securities lending	<b>396.77</b>	426.59	(29.82)	(6.99%)
Financial assets held under resale agreements	<b>88.94</b>	47.74	41.20	86.30%
Others	<b>0.53</b>	8.62	(8.09)	(93.85%)
<b>Total interest income</b>	<b>862.42</b>	819.52	42.90	5.23%
<b>Interest expenses</b>	<b>743.11</b>	691.42	51.69	7.48%
<b>Net interest income</b>	<b>119.31</b>	128.10	(8.79)	(6.86%)

Interest income from deposits in financial institutions increased by RMB39.61 million or 11.77% year-on-year, primarily attributable to the increase in the income from wealth management with the Company's own funds.

Interest income from financial assets held under resale agreements increased by RMB41.20 million or 86.30% year-on-year, primarily attributable to monthly average increase in size of stock-plugged repurchase business and bonds reverse repo with idle funds of the Company.

## Section 5 Management Discussion and Analysis (Continued)

Interest income from margin financing and securities lending decreased by RMB29.82 million or 6.99% year-on-year, primarily attributable to the monthly average decrease in size of margin financing and securities lending business.

Interest expenses increased by RMB51.69 million or 7.48% year-on-year, primarily attributable to the increase in the debt interest expenses caused by increasing in the cost of debt financing of the Company.

Net investment income

During the Reporting Period, net investment income of the Group amounted to RMB1,091.95 million, representing a year-on-year increase of 159.66%. The Group's net investment income for 2017 consist of the following:

*Unit: in RMB million*

Items	2017	2016	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
<b>Net investment income</b>				
Net realised gains from disposal of available-for-sale financial assets	<b>320.09</b>	139.04	181.05	130.21%
Dividends income and interest income from available-for-sale financial assets	<b>1.24</b>	13.75	(12.51)	(90.98%)
Net gains from financial instruments at fair value through profit or loss	<b>757.42</b>	218.02	539.40	247.41%
Net gains/(losses) from derivative financial instruments	<b>0.03</b>	20.92	(20.89)	(99.86%)
Interest income from investments classified as receivable	<b>–</b>	28.03	(28.03)	(100.00%)
Income from disposal of subsidiaries	<b>14.64</b>	–	14.64	N/A
Other	<b>(1.47)</b>	0.77	(2.24)	(290.91%)
<b>Total</b>	<b>1,091.95</b>	420.53	671.42	159.66%



## Section 5 Management Discussion and Analysis (Continued)

### Operating expenses

During the Reporting Period, operating expenses of the Group (excluding fees and commission expenses and interest expenses) amounted to RMB2,000.36 million, representing a year-on-year decrease of 1.96%. The Group's operating expenses primarily consist of the following:

*Unit: in RMB million*

<b>Items</b>	<b>2017</b>	2016	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
<b>Staff costs</b>	<b>1,086.40</b>	1,150.95	(64.55)	(5.61%)
Depreciation and amortisations expenses	<b>93.07</b>	81.32	11.75	14.45%
Other operating expenses and tax and surcharges	<b>785.47</b>	801.88	(16.41)	(2.05%)
Impairment losses	<b>35.42</b>	6.18	29.24	473.14%
<b>Total</b>	<b>2,000.36</b>	2,040.33	(39.97)	(1.96%)

Staff costs decreased by RMB64.55 million or 5.61% year-on-year, primarily attributable to the decreasing business performance and bonus as a result of the impact on the business development of the Company caused by market fluctuation to a certain extent.

Depreciation and amortisation increased by RMB11.75 million or 14.45% year-on-year, primarily attributable to the depreciation or amortisation for the additional property and equipment and intangible assets.

Other operating expenses and tax and surcharges decreased by RMB16.41 million or 2.05% year-on-year, primarily attributable to the transition from business tax to value-added tax since May 2016.

## Section 5 Management Discussion and Analysis (Continued)

Impairment losses amounted to RMB35.42 million, representing a year-on-year increase of RMB29.24 million. Details are as follows:

*Unit: in RMB million*

<b>Items</b>	<b>2017</b>	2016	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
<b>Impairment losses</b>				
Provision of/(Reversal of) margin financing and securities lending	<b>0.66</b>	(5.68)	6.34	111.62%
Provision of available-for- sale financial assets	<b>19.68</b>	4.00	15.68	392.00%
(Reversal of)/Provision of financial assets held under resale agreements	<b>(0.59)</b>	3.64	(4.23)	(116.21%)
Provision of other current assets	<b>2.33</b>	4.22	(1.89)	(44.79%)
Provision of other non-current assets	<b>13.34</b>	–	13.34	N/A
<b>Total</b>	<b>35.42</b>	6.18	29.24	473.14%

Impairment losses on assets primarily included provision for available-for-sale financial assets and non-current assets. Among which, impairment losses on available-for-sale financial assets during the Reporting Period were RMB19.68 million; impairment losses on other non-current assets during the Reporting Period were RMB13.34 million.

## Section 5 Management Discussion and Analysis (Continued)

### 2. Assets

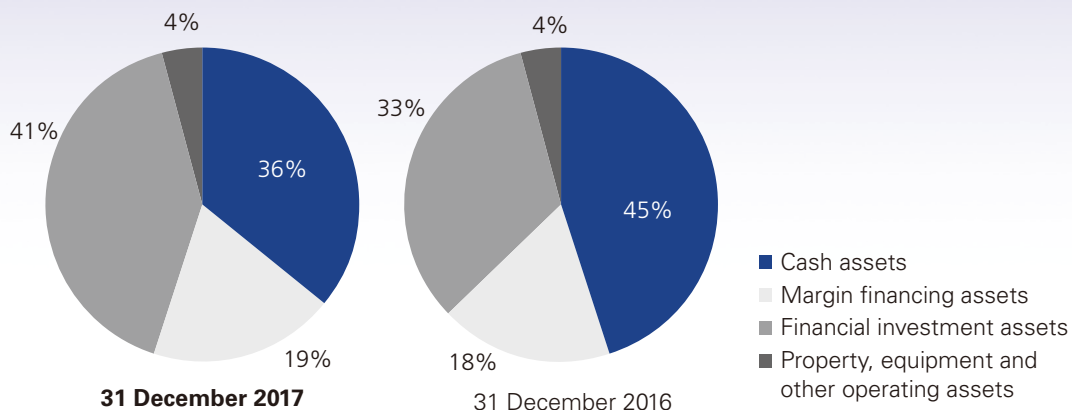
As at the end of the Reporting Period, total assets of the Group amounted to RMB36,416.99 million, representing a year-on-year decrease of 1.97%, of which, cash assets amounted to RMB13,218.13 million, representing a year-on-year decrease of 21.00%; margin financing assets amounted to RMB6,984.49 million, representing a year-on-year increase of 4.63%; financial investment assets amounted to RMB14,753.96 million, representing a year-on-year increase of 21.98%; and property, equipment and other operating assets amounted to RMB1,460.41 million, representing a year-on-year decrease of 11.31%. Changes in the total major assets of the Group are as follows:

*Unit: in RMB million*

Items	31 December 2017	31 December 2016	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Total assets</b>				
Cash assets	<b>13,218.13</b>	16,730.78	(3,512.65)	(21.00%)
Margin financing assets	<b>6,984.49</b>	6,675.38	309.11	4.63%
Financial investment assets	<b>14,753.96</b>	12,095.86	2,658.10	21.98%
Property, equipment and other operating assets	<b>1,460.41</b>	1,646.58	(186.17)	(11.31%)
<b>Total</b>	<b>36,416.99</b>	37,148.60	(731.61)	(1.97%)

## Section 5 Management Discussion and Analysis (Continued)

Total assets of the Group consist of:



Cash assets

As at the end of Reporting Period, cash assets of the Group decreased by RMB3,512.65 million or 21.00% year-on-year, representing 36.30% of the Group's total assets. The Group's cash assets consist of the following:

Unit: in RMB million

Items	31 December 2017	31 December 2016	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Cash assets</b>				
Cash and bank balances (including cash held on behalf of brokerage clients)	<b>11,830.24</b>	15,154.11	(3,323.87)	(21.93%)
Clearing settlement funds	<b>773.39</b>	1,109.95	(336.56)	(30.32%)
Refundable deposits	<b>614.50</b>	466.72	147.78	31.66%
<b>Total</b>	<b>13,218.13</b>	16,730.78	(3,512.65)	(21.00%)

## Section 5 Management Discussion and Analysis (Continued)

Changes in cash assets primarily reflected in cash and bank balances (including cash held on behalf of brokerage clients), which decreased by RMB3,323.87 million or 21.93%, mainly due to the decrease in client deposits as a result of the inactive exchanging activities of the customers as affected by the sluggish market this year.

### Margin financing assets

As at the end of the Reporting Period, margin financing assets of the Group increased by RM309.11 million or 4.63% year-on-year, representing 19.18% of the Group's total assets. The Group's margin financing assets consist of the followings:

*Unit: in RMB million*

Items	31 December 2017	31 December 2016	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Margin financing assets</b>				
Margin account receivables	<b>5,322.84</b>	5,145.14	177.70	3.45%
Financial assets held under resale agreements	<b>1,661.65</b>	1,530.24	131.41	8.59%
<b>Total</b>	<b>6,984.49</b>	6,675.38	309.11	4.63%

Margin account receivables amounted to RMB5,322.84 million, representing a year-on-year increase of 3.45%. The increase was primarily attributable to the increase in the size of the Group's margin financing and securities lending business.

## Section 5 Management Discussion and Analysis (Continued)

### Financial investment assets

As at the end of Reporting Period, financial investment assets of the Group increased by RMB2,658.10 million or 21.98% year-on-year, representing 40.51% of the Group's total assets. The following table set forth the composition of the Group's financial investment assets:

*Unit: in RMB million*

Items	31 December 2017	31 December 2016	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Financial investment assets</b>				
Investment in associates	<b>16.10</b>	7.96	8.14	102.26%
Available-for-sale financial assets	<b>1,740.30</b>	3,764.96	(2,024.66)	(53.78%)
Financial assets at fair value through profit or loss	<b>12,997.56</b>	8,322.94	4,674.62	56.17%
<b>Total</b>	<b>14,753.96</b>	12,095.86	2,658.10	21.98%

## Section 5 Management Discussion and Analysis (Continued)

### Available-for-sale financial assets

As at the end of the Reporting Period, the available-for-sale financial assets of the Group decreased by RMB2,024.66 million or 53.78% year-on-year, representing 4.78% of the Group's total assets. The Group's available-for-sale financial assets consist of the following:

*Unit: in RMB million*

Items	31 December 2017	31 December 2016	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Available-for-sale financial assets</b>				
Debt securities	–	97.40	(97.40)	(100.00%)
Equity securities	<b>1,595.76</b>	1,715.06	(119.30)	(6.96%)
Assets management schemes	<b>71.06</b>	1,605.80	(1,534.74)	(95.57%)
Investment funds	<b>73.48</b>	346.70	(273.22)	(78.81%)
<b>Total</b>	<b>1,740.30</b>	3,764.96	(2,024.66)	(53.78%)

## Section 5 Management Discussion and Analysis (Continued)

### Financial assets at fair value through profit or loss

As at the end of the Reporting Period, the financial assets at fair value through profit or loss of the Group increased by RMB4,674.62 million or 56.17% year-on-year, representing 35.69% of the Group's total assets. The Group's financial assets at fair value through profit or loss consist of the following:

*Unit: in RMB million*

Items	31 December 2017	31 December 2016	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Financial assets at fair value through profit or loss</b>				
Debt securities	<b>8,306.95</b>	5,997.67	2,309.28	38.50%
Equity securities	<b>2,432.19</b>	497.69	1,934.50	388.70%
Investment funds	<b>789.99</b>	1,717.96	(927.97)	(54.02%)
Asset management schemes	<b>1,024.16</b>	1.01	1,023.15	101,301.98%
Financial assets designated at fair value through profit or loss:				
debt securities	<b>444.27</b>	108.61	335.66	309.05%
<b>Total</b>	<b>12,997.56</b>	8,322.94	4,674.62	56.17%



## Section 5 Management Discussion and Analysis (Continued)

### Property, equipment and other operating assets

As at the end of the Reporting Period, property, equipment and other operating assets of the Group amounted to RMB1,460.41 million, decreased by RMB186.17 million or 11.31% year-on-year, representing 4.01% of the Group's total assets. The following table sets forth the composition of the Group's property, equipment and other operating assets:

*Unit: in RMB million*

Items	<b>31 December 2017</b>	31 December 2016	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Property, equipment and other operating assets</b>				
Property and equipment and investment properties	<b>535.06</b>	529.17	5.89	1.11%
Goodwill	<b>43.74</b>	43.74	–	0.00%
Intangible assets	<b>117.46</b>	99.72	17.74	17.79%
Deferred tax assets	<b>112.19</b>	90.19	22.00	24.39%
Other current assets and other non-current assets	<b>651.96</b>	883.76	(231.80)	(26.23%)
<b>Total</b>	<b>1,460.41</b>	1,646.58	(186.17)	(11.31%)

## Section 5 Management Discussion and Analysis (Continued)

### 3. Liabilities

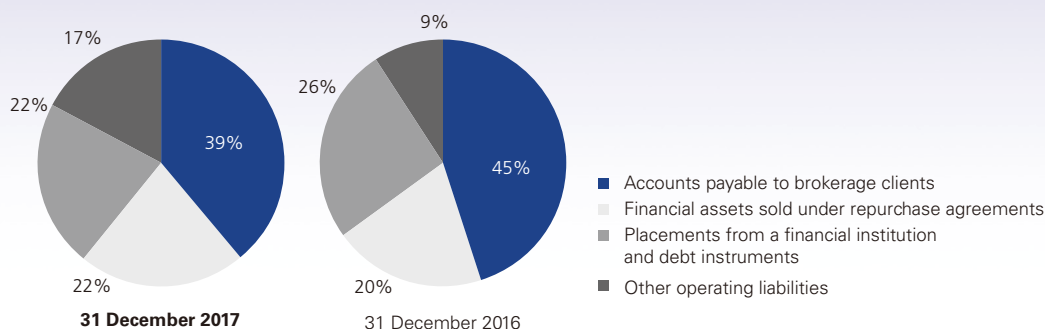
As at the end of the Reporting Period, total liabilities of the Group amounted to RMB25,474.56 million, representing a year-on-year decrease of RMB1,737.83 million or 6.39%. As at the end of the Reporting Period, accounts payable to brokerage clients amounted to RMB10,028.33 million, representing a year-on-year decrease of 17.81%. Financial assets sold under repurchase agreements amounted to RMB5,655.78 million, up by 1.12% year-on-year. The increase was primarily attributable to the rise in exchange quoted bond pledged repurchase business. Placements from a financial institution and debt instruments amounted to RMB5,544.86 million, down by 21.60% year-on-year. Major changes in the Group's total liabilities are as follows:

*Unit: in RMB million*

Items	31 December 2017	31 December 2016	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Liabilities</b>				
Accounts payable to brokerage clients	<b>10,028.33</b>	12,201.34	(2,173.01)	(17.81%)
Financial assets sold under repurchase agreements	<b>5,655.78</b>	5,593.19	62.59	1.12%
Placements from a financial institution and debt instruments	<b>5,544.86</b>	7,072.62	(1,527.76)	(21.60%)
Other operating liabilities	<b>4,245.59</b>	2,345.24	1,900.35	81.03%
<b>Total</b>	<b>25,474.56</b>	27,212.39	(1,737.83)	(6.39%)

## Section 5 Management Discussion and Analysis (Continued)

The Group's total liabilities consist of:



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

Placements from a financial institution and debt instruments

Unit: in RMB million

Items	31 December 2017	31 December 2016	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Placements from a financial institution and debt instruments</b>				
Placements from a financial institution	<b>700.00</b>	900.00	(200.00)	(22.22%)
Debt instruments	<b>4,844.86</b>	6,172.62	(1,327.76)	(21.51%)
<b>Total</b>	<b>5,544.86</b>	7,072.62	(1,527.76)	(21.60%)

Placements from a financial institution amounted to RMB700 million, decreased by 22.22% year-on-year. The decrease was primarily attributable to the repayment of the borrowing from China Securities Finance Corporation Limited.

## Section 5 Management Discussion and Analysis (Continued)

Debt instruments decreased by RMB1,327.76 million year-on-year. The decrease was primarily attributable to the repayment of short-term corporate bonds, subordinated bonds and beneficiary certificates at maturity.

Other operating liabilities

*Unit: in RMB million*

Items	31 December 2017	31 December 2016	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Other operating liabilities</b>				
Employee benefits payable	<b>415.73</b>	515.35	(99.62)	(19.33%)
Deferred revenue	<b>6.94</b>	8.09	(1.15)	(14.22%)
Other liabilities	<b>3,701.09</b>	1,820.46	1,880.63	103.31%
Deferred tax liabilities	<b>121.83</b>	1.34	120.49	8,991.79%
<b>Total</b>	<b>4,245.59</b>	2,345.24	1,900.35	81.03%

Employee benefits payable decreased by RMB99.62 million or 19.33% year-on-year, primarily attributable to the decrease in staff costs resulting from worse operating results and decreased provision for bonus brought about by the Group's declining revenue and profit.

Other liabilities increased by RMB1,880.63 million, representing a year-on-year increase of 103.31% primarily attributable to the increase in payables to other investors of consolidated structured entities.

## Section 5 Management Discussion and Analysis (Continued)

### 4. Equity

As at the end of the Reporting Period, total equity of the Group amounted to RMB10,942.43 million, up by 10.13% year-on-year. The increase was primarily attributable to increase in the Company's profits. The following table sets forth the composition of the Group's equity as at the dates indicated:

*Unit: in RMB million*

Items	31 December 2017	31 December 2016	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Share capital	<b>2,604.57</b>	2,604.57	0.00	0.00%
Share premium	<b>1,665.24</b>	1,665.24	0.00	0.00%
Perpetual capital securities	<b>1,500.00</b>	1,500.00	0.00	0.00%
Reserves	<b>4,801.47</b>	3,891.16	910.31	23.39%
Non-controlling interests	<b>371.15</b>	275.24	95.91	34.85%
<b>Total</b>	<b>10,942.43</b>	9,936.21	1,006.22	10.13%

## Section 5 Management Discussion and Analysis (Continued)

### 5. Segment results

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

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

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

*Unit: in RMB million*

Items	2017		2016	
	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	<b>1,668.38</b>	<b>42.62%</b>	1,839.42	51.94%
Investment banking	<b>295.16</b>	<b>7.54%</b>	450.67	12.73%
Proprietary trading	<b>887.79</b>	<b>22.68%</b>	202.21	5.71%
Investment management	<b>980.15</b>	<b>25.04%</b>	976.80	27.58%
Others	<b>83.17</b>	<b>2.12%</b>	72.06	2.04%
<b>Total</b>	<b>3,914.65</b>	<b>100.00%</b>	3,541.16	100.00%

## Section 5 Management Discussion and Analysis (Continued)

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

*Unit: in RMB million*

Items	2017		2016	
	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	<b>1,492.32</b>	<b>51.46%</b>	1,410.78	48.69%
Investment banking	<b>224.26</b>	<b>7.73%</b>	330.99	11.42%
Proprietary trading	<b>298.41</b>	<b>10.29%</b>	287.57	9.93%
Investment management	<b>694.88</b>	<b>23.96%</b>	691.31	23.86%
Others	<b>190.19</b>	<b>6.56%</b>	176.81	6.10%
<b>Total</b>	<b>2,900.06</b>	<b>100.00%</b>	2,897.46	100.00%

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

*Unit: in RMB million*

Items	2017		2016	
	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	<b>176.06</b>	<b>17.35%</b>	428.64	66.59%
Investment banking	<b>70.90</b>	<b>6.99%</b>	119.68	18.59%
Proprietary trading	<b>589.38</b>	<b>58.09%</b>	(85.36)	(13.26%)
Investment management	<b>285.27</b>	<b>28.12%</b>	285.49	44.35%
Others	<b>(107.02)</b>	<b>(10.55%)</b>	(104.75)	(16.27%)
<b>Total</b>	<b>1,014.59</b>	<b>100.00%</b>	643.70	100.00%

## Section 5 Management Discussion and Analysis (Continued)

### (VIII) Contingent liability, capital commitment and other commitment

Please refer to Note 54 of the consolidated financial statements in this report for particulars of contingent liability.

Please refer to Note 52 of the consolidated financial statement in this report for particulars of capital commitment and other commitment.

As at 31 December 2017, the Group did not have any security over its assets.

## IV. CHANGES IN BRANCHES AND SUBSIDIARIES AND IMPACT ON RESULTS

### (I) Branches of the Company

#### 1. Establishment of securities branches and changes in securities branches

##### (1) Newly-established securities branches

During the Reporting Period, the Company set up 8 new securities branches according to the Approval of Establishment of Eight Securities Branches by Hengtai Securities Co., Ltd (Nei Zheng Jian Xu Ke [2016] No. 17) (《關於核准恒泰證券股份有限公司設立8家證券營業部的批覆》(內證監許可[2016]17號)), issued by the Inner Mongolia Securities Regulatory Bureau of CSRC (中國證監會內蒙古監管局), details of which are as follows:

No.	Name of securities branch	Region (PRC)
1	Hengtai Securities Co., Ltd Shanghai Changliu Road Securities Branch (恒泰證券股份有限公司上海長柳路證券營業部)	Shanghai
2	Hengtai Securities Co., Ltd Ningbo Yongjiang Avenue Securities Branch (恒泰證券股份有限公司寧波甬江大道證券營業部)	Ningbo, Zhejiang
3	Hengtai Securities Co., Ltd Beijing Financial Street Second Securities Branch (恒泰證券股份有限公司北京金融大街第二證券營業部)	Beijing
4	Hengtai Securities Co., Ltd Beijing Guang'an Road Securities Branch (恒泰證券股份有限公司北京廣安路證券營業部)	Beijing
5	Hengtai Securities Co., Ltd Beijing Jianguomen Nei Avenue Securities Branch (恒泰證券股份有限公司北京建國門內大街證券營業部)	Beijing
6	Hengtai Securities Co., Ltd Chengdu Renmin South Road Securities Branch (恒泰證券股份有限公司成都人民南路證券營業部)	Chengdu, Sichuan
7	Hengtai Securities Co., Ltd Shenzhen Tonggu Road Securities Branch (恒泰證券股份有限公司深圳銅鼓路證券營業部)	Shenzhen, Guangdong
8	Hengtai Securities Co., Ltd Beijing Beichen West Road Securities Branch (恒泰證券股份有限公司北京北辰西路證券營業部)	Beijing



## Section 5 Management Discussion and Analysis (Continued)

### (2) Relocation of securities branches

During the Reporting Period, 27 securities branches of the Company were relocated, details of which are as follows:

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
1	Hengtai Securities Co., Ltd Yakeshi Yingbin West Street Securities Branch (恒泰证券股份有限公司 牙克石迎宾西街證券營業部)	Hengtai Securities Co., Ltd Yakeshi Qingsong Road Securities Branch (恒泰证券股份有限公司 牙克石青松路證券營業部)	Shop 1-8, First Floor, Complex Building, Xingong Street Office, Qingsong Road East, Yakeshi, Inner Mongolia (內蒙古自治區牙克石市新工辦事處 青松路東綜合樓一層門市1-8號)
2	Hengtai Securities Co., Ltd Jilin Zhongxing Street Securities Branch (恒泰证券股份有限公司 吉林中興街證券營業部)	Hengtai Securities Co., Ltd Jilin Tongtan Avenue Securities Branch (恒泰证券 股份有限公司 吉林通潭大路證券營業部)	Rooms 1 & 2 & 3 & 4, building 5-1, Tongtan West Community, Changyi District, Jilin City, Jilin Province (吉林省吉林市昌邑區通潭西區 5-1棟1、2、3、4號工商房)
3	Hengtai Securities Co., Ltd Chongqing Taishan Avenue Securities Branch (恒泰证券股份有限公司 重慶泰山大道證券營業部)	Hengtai Securities Co., Ltd Chongqing Taishan Avenue Securities Branch (恒泰证券股份有限公司 重慶泰山大道證券營業部) <sup>1</sup>	Room 13-6, Building 3, No. 40 Donghu South Road, North New District, Chongqing (重慶市北部新區東湖南路 40號3幢13-6)
4	Hengtai Securities Co., Ltd Shenzhen Xiangmihu Road Securities Branch (恒泰证券股份有限公司 深圳香蜜湖路證券營業部)	Hengtai Securities Co., Ltd Shenzhen Fuzhong Road North Securities Branch (恒泰证券股份有限公司 深圳福中路北證券營業部)	Room 1603, New World Center, No.6009, Yitian Road, Lianhua Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區蓮花街道益田路 6009號新世界商務中心1603室)
5	Hengtai Securities Co., Ltd Shenzhen Meilin Road Securities Branch (恒泰证券股份有限公司 深圳梅林路證券營業部)	Hengtai Securities Co., Ltd Shenzhen Meilin Road Securities Branch (恒泰证券股份有限公司 深圳梅林路證券營業部) <sup>1</sup>	Room 1001, 10th Floor, Unit B, Block B, South Zone of Excellence Meilin Center Plaza, Meilin Road, Meilin Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區梅林街道梅林路 卓越梅林中心廣場(南區)B座B單元 10層1001號)
6	Hengtai Securities Co., Ltd Shanghai Shuidian Road Securities Branch (恒泰证券股份有限公司 上海水電路證券營業部)	Hengtai Securities Co., Ltd Shanghai Wusong Road Securities Branch (恒泰证券股份有限公司 上海吳淞路證券營業部)	Rooms 1201&1202, No. 575 Wusong Road, Hongkou District, Shanghai (上海市虹口區吳淞路575號 1201、1202室)

## Section 5 Management Discussion and Analysis (Continued)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
7	Hengtai Securities Co., Ltd Beijing Nanbinhe Road Securities Branch (恒泰证券股份有限公司 北京南滨河路證券營業部)	Hengtai Securities Co., Ltd Beijing Guang'anmenwai Street Securities Branch (恒泰证券股份有限公司 北京廣安門外大街證券營業部)	Room 240, second Floor, Shenzhen Hotel, No. 1 Guang'anmenwai Street, Xicheng District, Beijing (北京市西城區廣安門外大街1號 深圳大廈2層240號房間)
8	Hengtai Securities Co., Ltd Hangzhou Chaohui Road Securities Branch (恒泰证券股份有限公司 杭州朝暉路證券營業部)	Hengtai Securities Co., Ltd Hangzhou Wujiang Road Securities Branch (恒泰证券股份有限公司 杭州婺江路證券營業部)	Room 1806, Building 1, No. 217 Wujiang Road, Shangcheng District, Hangzhou, Zhejiang (浙江省杭州市上城區婺江路217號 1號樓1806室)
9	Hengtai Securities Co., Ltd Chifeng Tianyi Road Securities Branch (恒泰证券股份有限公司 赤峰天義路證券營業部)	Hengtai Securities Co., Ltd Chifeng Tianyi Road Securities Branch (恒泰证券股份有限公司 赤峰天義路證券營業部) <sup>1</sup>	Unit 01012, No. B-16, Yulongjiayuan Community, Tianyi Road West, Quanning Street North, Bajiazutuan, Xincheng District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市新城区八家組團 全寧街北天義路西玉龍家園小區 B-16號01012)
10	Hengtai Securities Co., Ltd Shanghai Longteng Avenue Securities Branch (恒泰证券股份有限公司 上海龍騰大道證券營業部)	Hengtai Securities Co., Ltd Shanghai Shangzhong Road Securities Branch (恒泰证券股份有限公司 上海上中路證券營業部)	Room 509, 5th Floor, Block B, No. 495 Shangzhong Road, Xuhui District, Shanghai (上海市徐匯區上中路 495號B座5樓509室)
11	Hengtai Securities Co., Ltd Shanghai Zunyi Road Securities Branch (恒泰证券股份有限公司 上海遵義路證券營業部)	Hengtai Securities Co., Ltd Shanghai Caoxi North Road Securities Branch (恒泰证券股份有限公司 上海漕溪北路證券營業部)	Room 704, No. 398 Caoxi North Road, Xuhui District, Shanghai (上海市徐匯區漕溪北路398號704室)
12	Hengtai Securities Co., Ltd Shenzhen Jintian Road Securities Branch (恒泰证券股份有限公司 深圳金田路證券營業部)	Hengtai Securities Co., Ltd Shenzhen Jintian Road Securities Branch (恒泰证券股份有限公司 深圳金田路證券營業部) <sup>1</sup>	Room 30A, Shidai-Caifu Building, Futian Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區福田街道 福田區時代財富大廈30A)
13	Hengtai Securities Co., Ltd Dalian Jinzhou Beishan Road Securities Branch (恒泰证券股份有限公司 大連金州北山路證券營業部)	Hengtai Securities Co., Ltd Dalian Southwest Road Securities Branch (恒泰证券股份有限公司大連西南路證 券營業部)	Room 07, 19/F, Sanhe Building, No.929 Southwest Road, Shahekou District, Dalian, Liaoning (遼寧省大連市沙河口區西南路929號 三合大廈19層07號)

## Section 5 Management Discussion and Analysis (Continued)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
14	Hengtai Securities Co., Ltd Shanghai Dujuan Road Securities Branch (恒泰证券股份有限公司 上海杜鵑路證券營業部)	Hengtai Securities Co., Ltd Shanghai Lanhua Road Securities Branch (恒泰证券股份有限公司 上海蘭花路證券營業部)	Room 1207, No. 333 Lanhua Road, Pudong New District, Shanghai (上海市浦東新區蘭花路333號1207室)
15	Hengtai Securities Co., Ltd Liaoyuan Fengshou Road Securities Branch (恒泰证券股份有限公司 遼源豐壽路證券營業部)	Hengtai Securities Co., Ltd Liaoyuan Hening Street Securities Branch (恒泰证券股份有限公司 遼源和寧街證券營業部)	Shop 102, Building G2, Yangguangxincheng – Dongxing Shanyucheng, Hening Street, Xi'an District, Liaoyuan, Jilin (吉林省遼源市西安區和寧街陽光新城 東星山語城G2號樓102門市)
16	Hengtai Securities Co., Ltd Manchuria Shulin Road Securities Branch (恒泰证券股份有限公司 滿洲里樹林路證券營業部)	Hengtai Securities Co., Ltd Manchuria Shulin Road Securities Branch (恒泰证券股份有限公司 滿洲里樹林路證券營業部) <sup>1</sup>	3/F, Main Building of Jinding Building, No. 17 Shulin Road, North District, Manchuria, Inner Mongolia (內蒙古自治區滿洲里市北區樹林路 17號金鼎大廈主樓三層)
17	Hengtai Securities Co., Ltd Tianjin Hedong Shiyijing Road Securities Branch (恒泰证券股份有限公司 天津河東十一經路證券營業部)	Hengtai Securities Co., Ltd Tianjin Changjiang Avenue Securities Branch (恒泰证券股份有限公司 天津長江道證券營業部)	Room 602, Rongqiao Center Office Building, at the Intersection of Changjiang Avenue and Nankai Sixth Road, Nankai District, Tianjin (天津市南開區長江道與南開六馬路 交口融橋中心寫字樓602室)
18	Hengtai Securities Co., Ltd Hangzhou Tiancheng Road Securities Branch (恒泰证券股份有限公司 杭州天城路證券營業部)	Hengtai Securities Co., Ltd Hangzhou Xixi Road Securities Branch (恒泰证 券股份有限公司杭州西溪路證券營業 部)	No. 529-3 Xixi Road, West Lake District, Hangzhou, Zhejiang (浙江省 杭州市西湖區西溪路529-3號)
19	Hengtai Securities Co., Ltd Changchun Dongsheng Avenue Securities Branch (恒泰证券股份有限公司 長春東盛大街證券營業部)	Hengtai Securities Co., Ltd Changchun Dongnanhu Road Securities Branch (恒泰证券股份有限公司 長春東南湖大路證券營業部)	Room 602, 6/F, Dianyue Shangqi, No.2221 Dongnanhu Road, Changchun Economic & Development Zone, Jilin (吉林省長春市經濟開發區東南湖 大路2221號典約商祺6樓602號房)
20	Hengtai Securities Co., Ltd Shenzhen Hongli Road Securities Branch (恒泰证券股份有限公司 深圳紅荔路證券營業部)	Hengtai Securities Co., Ltd Shenzhen Xinwen Road Securities Branch (恒泰证券股份有限公司 深圳新聞路證券營業部)	Room 13C, Shenmao Commercial Center, No.59 Xinwen Road, Lianhua Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區蓮花街道新聞路 59號深茂商業中心13C)

## Section 5 Management Discussion and Analysis (Continued)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
21	Hengtai Securities Co., Ltd Zhalantun Central Road Securities Branch (恒泰证券股份有限公司 紮蘭屯中央路證券營業部)	Hengtai Securities Co., Ltd Zhalantun Buteha North Road Securities Branch (恒泰证券股份有限公司紮蘭屯布特哈北路證券營業部)	Shop 1005, Building 6, Xiushui Yiyuan Community, Buteha Road, Zhalantun, Inner Mongolia (內蒙古自治區紮蘭屯市布特哈路秀水怡園小區6號樓1005商服)
22	Hengtai Securities Co., Ltd Shenzhen Wenjing Road Securities Branch (恒泰证券股份有限公司 深圳文錦路證券營業部)	Hengtai Securities Co., Ltd Shenzhen Jintian Road Golden Central Tower Securities Branch (恒泰证券股份有限公司 公司深圳金田路金中環證券營業部)	Room 4702, Golden Central Tower, No.3037 Jintian Road, Futian Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區福田街道金田路3037號金中環商務大廈4702房)
23	Hengtai Securities Co., Ltd Qingdao Nanjing Road Securities Branch (恒泰证券股份有限公司 青島南京路證券營業部)	Hengtai Securities Co., Ltd Qingdao Donghai Middle Road Securities Branch (恒泰证券股份有限公司 青島東海中路證券營業部)	No. 16A, Donghai Middle Road, Shinan District, Qingdao, Shandong (山東省 青島市市南區東海中路16號甲)
24	Hengtai Securities Co., Ltd Beijing Chaoyang Balizhuang Xili Securities Branch (恒泰证券股份有限公司 北京朝陽八裡莊西裡證券營業部)	Hengtai Securities Co., Ltd Beijing Xinhua Avenue Securities Branch (恒泰证券股份有限公司 北京新華大街證券營業部)	Room 2302, 23/F, Building 3, No. 58 Xinhua West Street, Tongzhou District, Beijing (北京市通州區新華西街58號院3號樓23層2302)
25	Hengtai Securities Co., Ltd Fuzhou North Ring Middle Road Securities Branch (恒泰证券股份有限公司 福州北環中路證券營業部)	Hengtai Securities Co., Ltd Fuzhou Software Avenue Securities Branch (恒泰证券股份有限公司 福州軟件大道證券營業部)	Room B, 24/F, Building 3, Block F, Fuzhou Software Park, No. 89 Software Avenue, Gulou District, Fuzhou, Fujian (福建省福州市鼓樓區軟件大道89號福州軟件園F區3號樓24層B)
26	Hengtai Securities Co., Ltd Shanghai Jiangning Road Securities Branch (恒泰证券股份有限公司 上海江寧路證券營業部)	Hengtai Securities Co., Ltd Shanghai Zhongshan West Road Securities Branch (恒泰证券股份有限公司 上海中山西路證券營業部)	Room 904, No.1065 Zhongshan West Road, Changning District, Shanghai (上海市長寧區中山西路1065號904室)
27	Hengtai Securities Co., Ltd Dongguan Humen Town Humen Blvd Securities Branch (恒泰证券股份有限公司 東莞虎門鎮虎門大道證券營業部)	Hengtai Securities Co., Ltd Dongguan Huangjiang Securities Branch (恒泰证券股份有限公司 東莞黃江證券營業部)	Room 1007, 10/F, Fukang Commercial Building, Fukang Garden, Banhu Village, Huangjiang Town, Dongguan, Guangdong (廣東省東莞市黃江鎮板湖村富康花園富康商業大廈10樓1007號)

Note 1: Name of the securities branch remained unchanged after relocation.

## Section 5 Management Discussion and Analysis (Continued)

- (3) Deregistration of securities branches

None in the Reporting Period.

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

None in the Reporting Period.

### (II) Subsidiaries of the Company

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

1. On 23 February 2017, Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司) completed the change in the industrial and commercial registration for the registered capital, and its registered capital increased to RMB180.00 million from RMB90.00 million. New China Fund contributed RMB56.16 million to subscribe for 54,000,000 shares of the new additional shares of Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司). Upon completion of capital increase, the shareholding in Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司) by New China Fund remained at 60%.

On 23 October 2017, Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司) completed the change of business registration for the registered capital, and its registered capital increased to RMB308.00 million from RMB180.00 million. New China Fund contributed RMB161.28 million to subscribe for 128,000,000 shares of the new additional shares of Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司). Upon completion of capital increase, the shareholding in Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司) by New China Fund was 76.62%.

2. On 30 March 2017, Hengtai Capital transferred 51% equity interest in Shenzhen Hengtai Xihe Equity Investment Fund Management Co., Ltd. (深圳恒泰義和股權投資基金管理有限公司) held by it to Wang Jun (王軍), an independent third party, at a price of RMB851,800. Upon completion of the transfer, Hengtai Capital held no equity interest in Shenzhen Hengtai Xihe Equity Investment Fund Management Co., Ltd. (深圳恒泰義和股權投資基金管理有限公司).
3. On 22 May 2017, Hengtai Pioneer transferred 100% equity interest in Beijing Hengtai Hongze Investment Co., Ltd. (北京恒泰弘澤投資有限公司) held by it to Hengtai Capital at a price of RMB11,564,500.

## Section 5 Management Discussion and Analysis (Continued)

4. On 28 June 2017, Hengtai Pioneer completed the change in industrial and commercial registration in relation to the transfer of 70% equity interest in Beijing Hengtai Puhui Information Service Co., Ltd. (北京恒泰普惠信息服務有限公司) held by it to GuoYa Asset Management (Shenzhen) Co. Ltd. (國亞資產管理(深圳)有限公司) at a price of RMB20,790,000. All conditions precedent of the disposal and the disposal were fulfilled and completed subsequently on 1 August 2017. Upon completion of the transfer, 30% of equity interest in Beijing Hengtai Puhui Information Service Co., Ltd. (北京恒泰普惠信息服務有限公司) was still held by Hengtai Pioneer.
5. On 29 September 2017, Beijing Hengtai Hengzhong Information Service Co., Ltd. (北京恒泰恒眾信息服務有限公司), a wholly owned subsidiary established by Hengtai Pioneer, completed the industrial and commercial deregistration. Beijing Hengtai Hengzhong Information Service Co., Ltd. (北京恒泰恒眾信息服務有限公司), though with the qualification as a private fund manager, has not conducted business due to the failure of compliance with the requirements on the business of alternative investment subsidiary as set out in the Management Standards for Alternative Investment Subsidiary of Securities Company (《證券公司另類投資子公司管理規範》), and was therefore deregistered.

### (III) Impact on results

During the Reporting Period, the Company has established 8 new securities branches which generated an aggregate of RMB4.86 million of revenue and other income and RMB-10.24 million of profits in total for the year in their initial operation, thus having limited impact on the results of the Company for the year.

During the Reporting Period, New China Fund injected capital into Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司), which increased the net capital of Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司) to comply with regulatory requirements and enhance its comprehensive competitiveness. Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司) took this opportunity to further improve its product mix, strengthen risk control and management, expand new business and quicken its business transformation, thereby laying a sound foundation for its long-term development.

During the Reporting Period, in accordance with the requirements of the Management Standards for Private Investment Fund Subsidiary of Securities Company (《證券公司私募投資基金子公司管理規範》) issued by the Securities Association of China, Hengtai Capital ceased to engage in direct investment business, gradually exited from its original direct investment projects and disposed subsidiaries whose activities were not covered by its business scope. Therefore, Hengtai Capital focused on private equity fund business and defined its business development direction to achieve better results.

## Section 5 Management Discussion and Analysis (Continued)

During the Reporting Period, in accordance with the requirements of the Management Standards for Alternative Investment Subsidiary of Securities Company (《證券公司另類投資子公司管理規範》) issued by the Securities Association of China, Hengtai Pioneer disposed or deregistered subsidiaries whose activities were not covered by its business scope. Hengtai Pioneer further enhanced internal control and risk management and actively explored new business.

### V. MAJOR INVESTMENT AND FINANCING

#### (I) Equity financing

None in the Reporting Period.

#### (II) Major debt financing

##### 1. Issue of long-term corporate bonds

No long-term corporate bonds were issued by the Company in 2017. As at 31 December 2017, the outstanding balance of long-term corporate bonds amounted to RMB1.5 billion, which were issued by the Company on 29 January 2016 and will be mature on 29 January 2019.

##### 2. Issue of beneficiary certificates

The Company raised an aggregate of RMB1.6 billion through issue of beneficiary certificates in 2017. As at 31 December 2017, the outstanding balance of the beneficiary certificates amounted to RMB1.6 billion. The particulars of the issuance of beneficiary certificates of the Company in 2017 are set out below:

Abbreviation	Size of the Issuance <i>(RMB'00 million)</i>	Interest rate	Term <i>(days)</i>	Issue Date	Maturity date
恒創泰富6號	1	5.70%	728	24 February 2017	22 February 2019
恒創泰富8號	3	5.20%	365	8 March 2017	8 March 2018
恒創泰富9號	2	5.20%	364	10 March 2017	9 March 2018
恒創泰富11號	5	5.78%	365	27 June 2017	27 June 2018
恒創泰富12號	5	5.45%	364	21 July 2017	20 July 2018

## Section 5 Management Discussion and Analysis (Continued)

### 3. Issue of subordinated bonds by the Company

The Company raised an aggregate of RMB1.5 billion from issue of subordinated bonds in 2017. As at 31 December 2017, the outstanding balance of subordinated bonds issued by the Company and Hengtai Futures, a subsidiary of the Company, amounted to RMB1.7 billion and RMB0.04 billion, respectively. The particulars of the issue of subordinated bonds of the Company in 2017 are set out below:

<b>Abbreviation</b>	<b>Size of the Issuance</b> <i>(RMB'00 million)</i>	<b>Interest rate</b>	<b>Term</b> <i>(days)</i>	<b>Issue Date</b>	<b>Maturity date</b>
恒泰证券股份 有限公司 2017年次級債	15	5.90%	1,825	1 November 2017	1 November 2022

### (III) Equity Investment

None in the Reporting Period.

## VI. MATERIAL ASSETS DISPOSAL, ACQUISITION, MERGER, DIVISION, EXTERNAL GUARANTEE, MORTGAGE, PLEDGE AND MATERIAL CONTINGENT LIABILITIES

Save for the matters stated above in IV and V under this Section 5, the Company had no other material assets disposal, acquisition, merger, division or reorganization of other companies.

During the Reporting Period, there was no external guarantee, mortgage, pledge and material contingent liability that may affect the Company's financial position and operating results.



### VII. BUSINESS INNOVATION AND ITS IMPACT AND RISK CONTROL

#### (I) Business innovation and its impact

In 2017, adhering to the principle of regulatory compliance development, the Company pushed forward development of its businesses through innovation-driven transformation while maintaining effective risk control.

The Company strengthened the construction of internet finance system in an all-round way, innovating collaborative models through optimizing diversion channels and enriching the product portfolio with Hengtai Toupai Accounts (恒泰頭派賬戶) as its core and laying down a solid foundation for the long-term development of the internet business of the Company. At the same time, in terms of establishing new branches and consolidating the traditional brokerage business, with new breakthrough being made in innovation business, the Company focused on developing institutional customers, industrial customers and special legal person customers, promoting the continuous optimization of the customer and the income structures by the integration of customer resources and the innovation of business instruments and modes. In the election of 2017 outstanding security company App held by Security Company of China in 2017, Hengtai Toupai Accounts of the Company was awarded the Breakthrough Innovation Award for Security Company APP (券商APP突破創新獎).

By building up an industrial service center, intensifying risk management and creating new service model for industrial customers, Hengtai Futures, a subsidiary of the Company won a gold medal for excellent member of the China Financial Futures Exchange; meanwhile, by seizing the opportunity brought about by policy orientation, Hengtai Futures became one of the investor education (internet) bases as first approved by the provincial government, and its investment education plan was elected as key promotion project of China International Futures Congress (中國國際期貨大會) and awarded first prize of graphic design in the competition of investment education products held by China Financial Futures Exchange. Insisted to the purpose of elevating service capacity, the investment banking business of the Company further the cultivation of core customers and optimized business structure, innovated service measures and consummated group construction, as a result, initial achievements were made in the building of characteristic brand. The investment management business of the Company continued to solidify the business foundation, comprehensively optimized business system when kept to innovation and transformation, leading to steady increase in its business scale and the emergence of featured investment pattern.

## Section 5 Management Discussion and Analysis (Continued)

### (II) Risk control of business innovation

In 2017, the Company strived to improve the professional level of compliance management and risk management, which stood as strong guarantee for the business innovation of the Company. Moreover, the Company also continued to optimize internal control and risk management system construction to intensify compliance review and advance risk identification and prevention abilities, executing internal control and risk management throughout the whole process of business innovation.

The Company gradually perfected its risk preference system, exercised risk quota management, upgraded risk management information system, deepened stress tests and promoted project review quality and evaluation, ensuring the independence of review opinions and improving the foresight and specialty of risk review. We put into place comprehensive risk monitoring to make timely risk warning and monitored relevant risks via monitoring system; practically strengthened fore-end control over project risks and strengthened risk review and risk response. In addition, we also improved the risk management of the Company by establishing and perfecting the system for risk identification, evaluation, monitoring and control from the perspectives of credit risks, market risks, liquidity risks, operation risks and reputation risks.

### (III) Prospects of business innovation

The Company believes that Company's competitiveness in the market can only be enhanced by constantly improving its risk control and management standards, making continuous innovation, enhancing the customer service capacity and accelerating transformation based on compliance operation. In 2018, the Company will continue to deepen innovation and transformation of its various business by adhering to the guidance of regulatory policies, strictly complying with regulations, fully enhancing risk management and control and effectively improving the risk prevention capability, which are mainly reflected in the followings:

1. In terms of brokerage business, the Company will continue to drive the transformation of its business mode, enhance the customer service capacity and expand the business scale based upon steady development of the traditional businesses. It will further improve the customer structure through introducing and developing high net-worth customers including institutional customers and tapping customers' further demands for business, so as to expand the assets scale at a fast pace. The Company will seek to vitalize its existing customers by offering diversified sales channels for its products and regular marketing activities. Meanwhile, it will strengthen the service initiative and provide customers with professional and customized service. In addition, through formulating scientific sales strategies, it aims to promptly enhance service level and diversify its product type, increase the number of employees in the online investment and consultation team and expand its customer coverage, thus gradually establishing and improving its customer service systems.

## Section 5 Management Discussion and Analysis (Continued)

2. In terms of investment banking business, the Company will accelerate the realization of business transformation on the basis of consolidation of its existing business advantages. By focusing on customer's demands and enhancing business synergy, the Company will continuously enhance its service capability with a view to establish an investment banking brand of its own characteristics at full strain.
3. In terms of asset custody business, the service core of the business will be re-directed to the main-stream institutional customers in the finance sector, while its existing customers will be maintained at differential levels. The Company will explore various sales channels for the publicly-raised products in order to facilitate the custody business for public-raised funds. Further, the Company will adjust its business procedure and improve team-based professional levels, thus driving the online of new business systems.
4. In terms of public-raised funds business, the Company will consistently exert great efforts in investment and research thereof. Taking better investment performance as its core competitiveness, it will strive to achieve rapid increase in management size of the public-raised funds and its profit. First, the Company will strengthen cultivation of its investment and research team and keep its competitive edges, so as to build an equity-based investment team with its own characteristics. Second, the Company will reinforce the channel construction and spared no efforts to expand management size of public-raised funds, so as to expand the coverage of institutional customers.

## VIII. RISK FACTORS AND COUNTERMEASURES

### (I) Credit Risk

Credit risk is the possibility of loss caused by our counterparty's failure to perform a contract or a change in its credit rating or ability to perform. Credit risk of the Company is mainly generated from two aspects: (i) financing business such as margin financing and securities lending and securities-backed lending; and (ii) proprietary credit bond investment business.

Credit risk from financing activities can be controlled by (i) determination of reasonable credit line which is managed through investors education, daily mark to market, risk reminders and forced liquidation of client's positions upon credit investigation via the internal credit rating system; and (ii) conducting sufficient due diligence on the financier and analysis on the fundamentals of pledge target prior to the implementation of securities pledged projects to reasonably determine key risk factors including pledge rate, and maintaining constant risk monitoring over projects in performance to address problems once detected. Investment credit risks can be controlled by establishing securities pool, internal rating, risk indicator limit and other measures.

## Section 5 Management Discussion and Analysis (Continued)

### (II) Market risk

Market risk refers to risk of unexpected potential value losses resulting from adverse changes in securities price, interest rate and exchange rate. In particular, risk of adverse price fluctuations refers to the risk that the stock market may fluctuate and cause the prices of stocks and other securities products to change, which may incur losses for the Company. Interest rate risk refers to the risk arising from changes in market interest rates that could result in changes in the prices of bonds and other fixed-income securities. Exchange rate risk refers to possibility that the Company may incur losses due to changes in exchange rates during operating activities involving possession or use of foreign exchanges. Market risk of the Company mainly derives from proprietary businesses including equity securities investment, fixed income securities investment and NEEQ market-making business.

Market risk is mainly managed by the Company through implementation of limit management, securities pool system, daily mark to market, stress test, monitoring and warning, stop-loss and stop-profit, risk report and other systems and measures. Based on risk tolerance preferences, the Company sets the annual overall limits of market risk for proprietary businesses which are decomposed and assigned to the respective business departments level by level. The Company has established a market risk indicator system including Value at Risk (VaR), Basis Point Value (DV01) and Max Drawdown. The risk management department conducts a daily monitoring over the proprietary position risk and regularly carries out stress test to timely make risk warning and urge relevant business department to handle it when the risk control indicator exceeds the warning threshold.

### (III) Liquidity risk

Liquidity risk refers to risk where the Company fails to obtain sufficient funds in time at reasonable costs in order to repay mature debts, fulfill other payment obligations and satisfy the funding needs for carrying on normal business. The planning and financing department of the Company is responsible for liquidity risk management. The Company constantly monitors Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and other liquidity risk control indicators and conducts semi-annual liquidity risk stress tests through which its liquidity risk level under the extreme circumstance is evaluated and the risk emergency plans are established. The Company has set threshold values for liquidity risk control indicators, and a risk warning will be sent to the relevant responsible person of the Company once such threshold values are exceeded. The Company monitors and analyzes the matching of the Company's assets and liabilities from various time periods under both normal and stressed situations, the diversification and stability of the Company's capital resources, high-quality liquid assets and market liquidity and at the same time strengthens the management of the Company's liquidity during operating hours and makes reasonable arrangements for financing activities to maintain adequate intraday liquidity position.

## Section 5 Management Discussion and Analysis (Continued)

### **(IV) Compliance risk**

Compliance risk refers to risk of a securities company being subject to legal sanctions, regulatory measures and self-discipline penalties due to violations of laws, regulations or rules in its business activities or employee conducts. The Company has established an effective and sound compliance management system and compliance management framework. The compliance management department of the Company manages compliance risk through compliance review, compliance monitoring, compliance examination, compliance supervision and compliance training.

### **(V) Operational Risk**

Operational risk is possibility of losses caused by the failures of internal systems and procedures, improper employee behaviors, information system defect and the influence of external events. The Company has formulated operational risk management system and internal management system of various businesses and regulated its business activities. It has established an identification, assessment and control system for operational risk that fully covers the Company's business activities. The risk management department guides all departments and branches in respect of risk identification and provides corresponding advisory services in relation to operational risk management. The risk management department has created a operational risk database to summarize and sort out operational risk data, adopted reasonable measures for risk measurement and evaluation, and proposed corresponding management measures. The risk management department improves the risk management awareness of all staff of the Company through internal training.

## **IX. CONSTRUCTION OF RISK MANAGEMENT SYSTEM**

During the Reporting Period, the Company continually established a comprehensive risk management system, improved risk management system, optimized risk management framework, explored risk management models and methods, built up risk management information system and enhanced the professional level of risk management, so as to ensure a long-term and healthy development of the Company.

### **(I) Optimizing risk management framework**

The Company established a risk management framework led by the Board, which ensured implementation of all risk management measures of the Company by defining the risk management responsibilities at different levels including the Board, the Supervisory Committee, the risk control and supervisory committee, the audit committee, the management, the chief risk officer and the risk management department of the Company.

## Section 5 Management Discussion and Analysis (Continued)

The Board assumes the ultimate responsibility in respect of overall risk management and its specific responsibilities include: boosting the construction of risk culture, reviewing and determining basic risk management system, considering and approving the overall risk preference, risk tolerance levels and risk limit of the Company, considering the regular risk appraisal report of the Company and appointing and assessing the chief risk officer, etc.. The Risk Control and Supervisory Committee of the Board is responsible for monitoring the overall risk management of the Company to ensure that different risks related to operating activities of the Company are under effective surveillance.

The Supervisory Committee is responsible for supervising the overall risk management, monitoring and inspecting the risk management performance of the Board and the management and urging the rectification thereto.

The management of the Company undertakes the major responsibility for the overall risk management of the Company and governs a risk management special committee. Specific duties of the management include: formulating risk management rules, establishing and perfecting the overall risk management structure to clearly define responsibilities and duties regarding overall risk management; developing detailed implementation plan for risk preference, risk tolerance levels and risk limit; evaluating the management of overall risks and various significant risks; building up a performance assessment system for all staff that covers the effectiveness of risk management.

The chief risk officer of the Company is responsible for overall risk management and his/her responsibilities include: making independent, prudent and timely judgment with respect to the overall risk management; coordinating different parties of the Company in risk management and facilitating the cultivation of the risk management culture; organizing and setting up the risk preference, risk tolerance level and risk limit of the Company and submitting the same to the Board for approval; reporting to the management with respect to risk management work; organizing the implementation of risk management measures according to the Board and senior management's relevant resolutions and work requirements; and reporting to and communicating with regulatory authorities regarding our risk management.

## Section 5 Management Discussion and Analysis (Continued)

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

Heads of different business departments, branches and subsidiaries of the Company shall take into account various business related risks, identifying, assessing, addressing and reporting relevant risks when making decisions and assuming direct responsibilities in this regard.

### **(II) Optimizing risk management institutional system**

Pursuant to the Norms for the All-round Risk Management of Securities Companies and its ancillary guidelines of the Securities Association of China, the Company amended the Measures for All-round Risk Management of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司全面風險管理辦法》), the Market Risk Management Provisions of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司市場風險管理規定》), the Credit Risk Management Provisions of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司信用風險管理規定》), the Measures for Operational Risk Management of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司操作風險管理規定》), the Measures for Liquidity Risk Management of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司流動性風險管理規定》), the Measures for Managing the Risk Control Indexes of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司風險控制指標動態監控管理規定》) and the Management Provisions on Stress Tests of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司壓力測試管理規定》). Meanwhile, the Company has also formulated the Management Rules on Risks Regarding New Business (Product) of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司新業務風險管理細則》), Risk Management Measures for Subsidiary of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司子公司風險管理辦法》), the Provisions on Management Reputation Risk of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司聲譽風險管理規定》) and the Detailed Rules on Management of Person in Charge of Risk Management of Subsidiaries of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司子公司風險管理負責人管理細則》), further improving the overall risk management system of the Company.

## Section 5 Management Discussion and Analysis (Continued)

### **(III) Improving risk management information system**

The Company has upgraded and improved its net capital monitoring system, market risk management system, internal credit rating system and risk preference system for many times to ensure that the functions of such systems meet the needs of the Company's risk management. Continuous efforts were devoted to improvement of the internal control system that covers all businesses of the Company. With the introduction of the business monitoring module using one unified code, the Company realized the centralized monitoring of the same customer and the same business line of brokerage. In addition, the official launch of the capital management system also helped level up the Company's ability to manage liquidity risks.

### **(IV) Conducting stress test in a deep-going way**

According to the requirements of the Securities Association of China, besides the comprehensive stress tests for the first and second half and the whole year of 2017, the Company also organized and carried out the semi-annual special liquidity stress test, and prepared stress test reports and submitted the same in a timely manner. In the meantime, the Company has established a normalized stress testing mechanism and carried out stress tests for events including downgrading of corporate classification rating, wholesale financing business, asset management business, concentrated maturity of debts, establishment of new branches and development of new business in due time, to test the changes in the risk tolerance and risk control indicators in the scenarios under pressure, so as to ensure that the operation was conducted on the premise of compliance in respect of risk control indicators.

### **(V) Steadily propelling risk review and assessment of projects**

The risk management department of the Company strictly performed the duties of ex-ante control over project risks and urged business departments to raise awareness of risk prevention and control, to fully identify and disclose various risks. In 2017, rigorous scrutinies were conducted on asset management products and asset securitization projects, and NEEQ market making projects and listing recommendation projects, and corresponding risk reports were issued. Meanwhile, the Company strengthened post-investment risk management of existing projects, continually monitored, investigated and gave early warning in respect of relevant risks in the duration of such projects. For projects with potential risks, the risk management department proceeded with independent risk assessment and required business departments to take feasible countermeasures, so as to guarantee that the risks of relevant projects are under control as a whole. Centralized special risk evaluation for existing projects was conducted by the risk management department of the Company from time to time to unveil the overall risk profile of the projects.



## Section 5 Management Discussion and Analysis (Continued)

### **(VI) Implementing risk limit management**

The risk management department of the Company has developed the Company's risk preference system, which was submitted to the Board for consideration and approval, and determined the risk limit indicators for each business based on the overall risk preference of the Company. Adhering to zero tolerance for the circumstances in which the advanced risk control indexes were exceeded and material reputation risk events occurred, the Company performed prior control over the size of stock investment, supervision over the position status and made prompt risk warning for threshold breaking of profit or loss to ensure that all businesses are carried out within the scope of risk limit.

### **(VII) Strengthening risk monitoring**

Through the risk management information system including the internal control platform, the comprehensive asset management business platform and the comprehensive risk management platform, the risk management department of the Company monitored brokerage business, proprietary business, NEEQ market making business, margin financing and securities lending, and stock pledged repurchase business on a day-to-day basis, giving out early warning for the risks found in time and reminding business department to take effective countermeasures. The Company also included the major risk indicators and relevant businesses of its subsidiaries into its scope of risk monitoring. A risk monitoring ledger was kept for subsidiaries which were required to report material risk events promptly.

## **X. COMPETITION AND POSITION IN THE INDUSTRY AND CORE COMPETITIVENESS**

### **(I) Competition in the industry**

In 2017, in terms of the regulatory environment of securities industry, the strict and comprehensive supervision in accordance with relevant laws were still adopted as regulatory keynote, which further standardised the business regimes of securities companies. However, the peer competition was further intensifying since the rapid innovation development momentum slowed down to a certain degree while the concentration increased considerably in the industry.

### **(II) Market position**

According to the statistical data of the Securities Association of China, as at 31 December 2017, there were 131 securities companies in the PRC, and the average total assets, net assets and net capital size of a single securities company amounted to RMB46.9 billion, RMB14.1 billion and RMB12.1 billion, respectively. In 2017, the average operating revenue of a single securities company amounted to RMB2,376 million and the average net profit of a single securities company amounted to RMB863 million.

## Section 5 Management Discussion and Analysis (Continued)

The 2017 industry data shows that the Company remained as a small and medium securities dealer in the industry. The Company's operating revenue in 2017 was above the industry average, and its net profit was close to the industry average. However, the supplement of net capital of the Company was lagging behind in the industry and the net assets and net capital were below the industry average.

In 2017, the Company made certain progress in a number of businesses as compared to 2016. According to the statistics of Wind Info, the market share of brokerage business of the Company continued to rise, and ranked the 39th in the industry, 2 places higher than that in 2016; the revenue from trading of securities on behalf of clients ranked 27th in the industry, 7 places higher than that in 2016; the underwriting amount of investment banking business of the Company ranked the 57th in the industry, among which corporate bonds underwriting got good results, with ranking place rising sharply as compare to that in 2016; number of companies engaging the Company as underwriters ranked 7th in the industry and the undertaking amounts ranked 10th in the industry; the business of listing on the NEEQ of the Company ranked the 15th in the industry, 17 places higher than that in 2016.

### (III) Core competitiveness

1. Professional and stable management team

The management team of the Company has extensive experience in the securities and financial service industries with their average experience in the securities industry close to 16 years. The stable management team with extensive management experience in the industry enables the Company to quickly respond to the changes in the regulatory requirements and the competitive conditions in the market and make prompt adjustments to the business strategy of the Company, thus ensuring long-term stable development of the Company.

2. Implementation of effective risk management and internal control systems

The long-term implementation of effective risk management and internal control systems enables the Company to carry out compliance work and foster compliance awareness in respect of all businesses and all staff of the Company, and to identify, assess, reduce and manage various risks in the course of business. The Company has always been dedicated to strengthening risk management and internal control, corporate governance and building corporate compliance culture, and continuously optimizing the risk management and internal control systems to enhance the ability of the Company in identifying compliance risks, with a view to identifying and correcting the shortcomings in risk management and internal control in a prompt manner, and continuously improving the Company's risk management and internal control systems by means of quantifying control over risk management and operation risks, thus ensuring sound and stable growth of the Company's business.

## Section 5 Management Discussion and Analysis (Continued)

### 3. Sound capability in continuous innovation

The continuous and initiative innovation capability plays a key role in the development of the Company. The innovation work of the Company has focused on continuous understanding, research and satisfaction of different demands of the customers. The Company proactively responds to the competition in the market through initiative innovation. With admirable customer service and effective risk management capacity, the Company has made great achievements in customer financing business, and other innovative businesses in recent years.

In addition, the Company has always attached importance to innovative application in the Internet and fintech field. The traditional securities business has been transformed to adopt the online business model due to cooperation with third party Internet service suppliers based on legal compliance and effective control, thus accessing to and getting more customer resources. The Company also provides one-stop comprehensive online diversified financial services including payment, financial management, investment and financing to satisfy the customers demands.

### 4. Effective business layout to promote transformation and upgrade

In the past two years, the Company has made certain achievements through the establishment of new securities branches and the adjustment of the layout of branches, which laid a solid foundation for further improving the market share of the brokerage business of the Company and the overall business development of the Company. Meanwhile, the early layout of the Company in the purchaser's business has achieved preliminary results.

The Company highly values the future development and reform of the securities industry and proactively deepens transformation and upgrade of the Company's businesses. It vigorously reinforces synergistic effects among business departments to continuously improve the customer service capacity. Facing the future challenges in the market, on the basis of intensifying compliance management and control and prevention of risks, the Company will continue to deepen the innovation and transformation of businesses to enhance the advantages of characteristic and differentiated businesses and expand its business size and market influence.

## Section 5 Management Discussion and Analysis (Continued)

### 5. Excellent corporate culture

The Company will always hold the corporate culture of “innovation, being practical, integrity and cooperation”. The instant promotion of corporate culture construction further enhances staff’s recognition of corporate culture and cohesiveness and ensures the smooth implementation of the Company’s overall strategy and specific businesses. At the same time, the open cooperation mechanism also laid a favorable foundation for the Company to attract excellent talents and intensify its cooperation with the external world.

### 6. Talent strategy centered, market-oriented staff incentive mechanism

The Company always insists on centering on talent strategy, pays great attention to the introduction, absorption, stability and promotion of the talents, especially the stability of the core talents. Through the provision of professional training and a good operation platform, the Company effectively improved the staff’s professional ability and career value. The Company has developed the market-oriented staff remuneration structure based on the risk management and performance appraisal, and executed the standard multi-level review mechanism. Furthermore, it has established a reasonable talent development system to foster professionals and set up channels for promotion.

## XI. PROSPECTS

In 2018, China’s macro economy is expected to maintain stable operation and the regulatory authorities will continue to implement strict control over the industry. In response to the changes in the competitive landscape of domestic securities industry, the Company will strengthen its internal control and risk management capabilities as well as strategic execution capabilities based on objective assessment of competitive environment of the industry.

Under the guidance of its general strategy, the Company will follow the regulatory policies, strictly comply with the regulations, and strengthen risk management and control in a comprehensive manner, so as to effectively enhance its risk prevention capabilities; meanwhile, it will focus on the building of characteristic and differentiated business advantages to further optimize business layout, deepen transformation and reform of business mode, expand scale and improve profitability; bolstered by the building a specialised and integrated back-office service system, the Company will intensify the construction of the talents and information technology back-office systems, enhance the synergy effect of the front and back office, thus improving the operating results and comprehensive management level in all around manner; furthermore, the Company will proactively perform its social responsibilities through targeted poverty alleviation initiatives, so as to enhance its social value.

# Section 6 Report of the Board of Directors

## I. INFORMATION ON THE PRINCIPAL ACTIVITIES AND PRINCIPAL SUBSIDIARIES

Relevant information on the principal activities is set out in the subsection headed “II. Analysis of Principal Business” under Section 5 “Management Discussion and Analysis” and forms a part of this Report of the Board of Directors.

The relevant information on the principal subsidiaries is set out in the subsection headed “IV. Subsidiaries” under Section 3 “Company Profile” and forms a part of this Report of the Board of Directors.

## II. ANALYSIS OF MAJOR FINANCIAL PERFORMANCE INDICATORS

The relevant information is set out in the sub-section headed “III. Financial Statements Analysis” under Section 5 “Management Discussion and Analysis” and forms a part of this Report of the Board of Directors.

## III. ANALYSIS OF PRINCIPAL RISKS AND UNCERTAINTIES

The relevant information is set out in the sub-section headed “VIII. Risk Factors and Countermeasures” under Section 5 “Management Discussion and Analysis” and forms a part of this Report of the Board of Directors.

## IV. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

### (I) Formulation, implementation or adjustment of the profit distribution policy

The Company has been attaching great importance to reasonable investment return to its shareholders, and emphasising the stability and continuity of investment return. In accordance with relevant requirements of the Articles of Association and with reference to the industry development trends, its own development plan and external financing environment, the Company has formulated its profit distribution plan on a reasonable basis to safeguard shareholders’ interests. During the Reporting Period, the profit distribution policy was strictly implemented without any adjustment.

### (II) 2017 profit distribution plan

In accordance with the financial statements as audited by the auditors, the Company’s accumulated retained profit is RMB2,385,581,986.22. According to the provision “Among profits available for distribution, those from fair value change shall not be used for cash distribution” under No. 1 Guidance on Supervision over Annual Reports of Securities Companies (《證券公司年報監管工作指引第一號》) issued by CSRC, after deducting the cumulative after-tax influence of RMB90,182,868.56 of such part, the Company’s profit distributable to shareholders in cash as at the end of 2017 is RMB2,295,399,117.66.

## Section 6 Report of the Board of Directors (Continued)

In view of long-term development of the Company and interests of investors and as proposed by all Directors, the Board proposed to distribute cash dividend of RMB1.00 per 10 shares (tax inclusive) and RMB260,456,741.20 in aggregate (tax inclusive) based on the total number of issued shares of the Company of 2,604,567,412 shares as at 31 December 2017 to holders of Domestic Shares and H Shares whose names appear on the register of members of the Company after the business hours on Tuesday, 12 June 2018. The cash dividend is denominated and declared in RMB and payable in RMB to holders of Domestic Shares, and in HK dollars to holders of H Shares. The actual amount distributed in HK dollars will be calculated based on the average benchmark exchange rate of RMB against HK dollar announced by the People's Bank of China for the five working days prior to the date of the 2017 annual general meeting, at which the 2017 profit distribution plan will be considered.

The annual general meeting (the “**AGM**”) of the Company for the year 2017 will be held on Thursday, 31 May 2018. In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 1 May 2018 to Thursday, 31 May 2018 (both days inclusive) during which period no transfer of shares will be effected. Shareholders of the Company whose names appear on the register of members on Thursday, 24 May 2018 shall be entitled to attend the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's head office in the PRC at 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (for holders of Domestic shares), or the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) no later than 4:30 p.m. on Monday, 30 April 2018 for registration.

Subject to the consideration and approval of the 2017 profit distribution plan at the 2017 annual general meeting, the dividends will be distributed to Shareholders whose names appear on the register of members of the Company on Tuesday, 12 June 2018, and the register of members of the Company will be closed from Thursday, 7 June 2018 to Tuesday, 12 June 2018 (both days inclusive) during which period no transfer of shares will be effected. The Dividends will be paid on Wednesday, 25 July 2018. In order to qualify for receiving such dividends, all transfer documents accompanied by the relevant share certificates must be lodged the Company's head office in the PRC at 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (for holders of Domestic shares), or the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) no later than 4:30 p.m. on Wednesday, 6 June 2018 for registration.

## Section 6 Report of the Board of Directors (Continued)

### V. THE ISSUE OF SHARES AND THE USE OF PROCEEDS

#### (I) Proceeds

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

A total of 450,846,000 H Shares were offered while 409,860,000 shares were issued by the Company. 5 state-owned shareholders transferred 40,986,000 shares to the National Council for Social Security Fund of China according to relevant regulations and such shares were sold to overseas investors. The Company raised total proceeds of HK\$1,767,316,320, equivalent to approximately RMB1,447 million.

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

#### (II) Use of proceeds

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

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

On 22 December 2017, the resolution in relation to "Change of the Use of Proceeds of the Company" was considered and approved at the 2017 first extraordinary general meeting of the Company to change the use of the remaining available proceeds for NEEQ market-making business and use RMB320 million of which for the Company's capital-based intermediary business and replenishing working capital.

As at 31 December 2017, the Company has used a total of RMB795.08 million of proceeds, with RMB650.90 million for capital-based intermediary business, including margin financing and securities lending and securities pledged repurchase business; RMB94.18 million for internet-based finance business; RMB50.00 million for NEEQ market-making business. The remaining proceeds (including interest income) were RMB547.11 million.

## Section 6 Report of the Board of Directors (Continued)

### VI. DIRECTORS AND SUPERVISORS

Details of the Directors and the Supervisors during the Reporting Period and as at the date of this report are set out in “Section 9 Directors, Supervisors, Senior Management and Employees”, which forms a part of this Report of the Board of Directors.

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

### VII. DIRECTOR AND SUPERVISOR SERVICE CONTRACT

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

### VIII. INTERESTS OF DIRECTORS, SUPERVISORS AND CONTROLLING SHAREHOLDERS

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

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

#### **Controlling Shareholders’ Interests in Contracts of Significance**

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

### IX. DIRECTORS’ INTERESTS IN THE BUSINESS COMPETING WITH THE COMPANY

None of the Directors has interest in business competing with the Company during the Reporting Period.



## Section 6 Report of the Board of Directors (Continued)

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

During the Reporting Period, no Directors, Supervisors of the Company or their respective spouses or children under the age of 18 purchased the shares or debentures of the Company to obtain rights, nor did such persons exercise any such rights; and no arrangements have been made by the Company or any of its subsidiaries to enable any Directors, Supervisors of the Company or their respective spouses or children under the age of 18 to obtain such rights from any other body corporate.

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

As at 31 December 2017, based on the information acquired by the Company and to the knowledge of the Directors, the Directors, Supervisors and chief executives of the Company have no (i) interests or short positions (including the interests or short positions considered or deemed to have according to such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Sections 7 and 8 of Part XV under the SFO; (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the SFO; or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), save as disclosed as follows:

Name	Class of shares	Nature of interest	Number of Shares held (shares)	Approximate percentage of total number of issued shares of the Company <sup>1</sup> (%)	Approximate percentage of the Company's total issued Domestic Shares/H Shares <sup>1</sup> (%)	Long positions/ short positions/ shares available for lending
<b>Supervisor</b>						
Ms. Pei Jingjing <sup>2</sup> (裴晶晶女士)	Domestic shares	Interest in a controlled corporation	206,182,000	7.92	9.57	Long positions

Notes:

- As at 31 December 2017, the Company has issued a total number of 2,604,567,412 shares, comprising 2,153,721,412 Domestic Shares and 450,846,000 H Shares.
- 99.99% and 0.01% of the equity interest in Huijin Jiaye are held by Shanghai Xishida and Ms. Pei Jingjing (裴晶晶女士) who is a Supervisor of the Company, respectively. 95% and 2% of the equity interest in Shanghai Xishida are held by Shenzhen Zhongxin and Ms. Pei Jingjing (裴晶晶女士), respectively. Approximately 99.47% of the equity interest in Shenzhen Zhongxin is held by Shanghai Julu. 35% and 35% of the equity interest in Shanghai Julu are held by Ms. Pei Jingjing (裴晶晶女士) and Mr. Ci Penghui (慈鹏辉先生), respectively. Therefore, Ms. Pei Jingjing (裴晶晶女士) is deemed to be interested in 206,182,000 Domestic Shares held by Huijin Jiaye.

## Section 6 Report of the Board of Directors (Continued)

### XII. COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

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

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

### XIII. PERMITTED INDEMNITY PROVISIONS

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

### XIV. EQUITY-LINKED AGREEMENTS

During the Reporting Period, the Company did not enter into any equity-linked agreement.

## Section 6 Report of the Board of Directors (Continued)

### XV. OTHER DISCLOSURES

#### (I) Share capital

Information on share capital is contained in Note 47(a) to the consolidated financial statements of this report and forms a part of the Report of the Board of Directors.

#### (II) Pre-emptive rights arrangements

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

#### (III) Sufficiency of public float

During the Reporting Period, according to the information available to the Company and to the knowledge of the Directors, the public shareholding of H Shares has satisfied the minimum percentage as modified in the waiver granted by the Hong Kong Stock Exchange from strict compliance with Rule 8.08(1)(d) of the Listing Rules.

#### (IV) Management contract

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

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

Individual investors

In accordance with the Individual Income Tax Law of the People's Republic of China (2011 Amendment) (《中華人民共和國個人所得稅法》(2011修正)) and the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China (2011 Revision) (《中華人民共和國個人所得稅法實施條例》(2011修訂)), the dividends paid by the Chinese companies shall be subject to the withholding tax at a uniform rate of 20%. Non-Chinese resident foreign individuals shall be imposed 20% of individual income tax on the dividends gained from Chinese companies, except for specific exemptions allowed by the tax authorities of the State Council or special deductions in accordance with an applicable tax treaty.

According to the Notice on the Management of Individual Income Tax Impose after the Abolition of Guo Shui Fa [1993] No. 045 Document (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) issued by the State Administration of Taxation, for domestic non-foreign-invested enterprises making public offering in

## Section 6 Report of the Board of Directors (Continued)

Hong Kong, the foreign resident individual shareholders are entitled to the associated tax preference according to the provisions in the taxation treaties signed between their nations and China as well as the taxation arrangements between Mainland China and Hong Kong (Macao). The dividends paid by domestic non-foreign-invested enterprises which have made the public offering in Hong Kong to foreign resident H Shares individual holders shall be imposed individual income tax at the rate of 10%, without having to make applications to the Chinese tax authorities. If the tax rate of 10% is not applicable, (1) for a foreign resident who is H Shares individual holder to receive dividend, if his country has signed income tax treaty at the rate of less than 10% with China, non-foreign-invested enterprises which have made public offering in Hong Kong may, on behalf of such holder, apply for lower tax rate preference; upon approved by the tax authorities, the excessive part of withholding tax paid will be refunded; (2) for a foreign resident who is H Shares individual holder to receive dividend, if his country has signed income tax treaty at the rate of higher than 10% but less than 20% with China, non-foreign-invested enterprises which have made public offering in Hong Kong shall pay withholding tax in accordance with the treaty and no need to make an application; and (3) for a foreign resident who is H Share individual holder to receive dividend, if his country has not signed any tax treaty or otherwise, non-foreign-invested enterprises which have made public offering in Hong Kong shall pay withholding tax at the rate of 20%.

### Enterprise

According to the Enterprise Income Tax law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) effective on 1 January 2008, if non-resident enterprises do not establish organizations and sites within the territory of China, or though establishing organizations and sites but the dividends and bonus received have no real connection to the organizations and sites established, such enterprises shall pay the corporate income tax at the rate of 10% of its income from the Chinese territory.

According to the Circular concerning Questions on Withholding and Payment of Enterprise Income Tax when PRC Resident Enterprises Distribute Dividends to Non-resident Corporate Shareholders of Foreign H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股利代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation, which became effective on 6 November 2008, PRC resident enterprises should withhold enterprise income tax at a unified rate of 10% when they distribute dividends for the year of 2008 and beyond to non-resident corporate shareholders of foreign H Shares. After receiving dividends, non-resident corporate shareholders may apply to the relevant tax authorities for enjoying treatment of taxation treaties (arrangement) in person or by proxy or by a person who has obligation for withholding or paying dividend and provide information to prove it is an actual beneficiary under the requirement of taxation treaties (arrangement). After the relevant tax authorities have verified that there is no error, it shall refund tax with reference to the tax levied and the difference in the amount of tax payable calculated at the tax rate under the taxation treaties (arrangement).

## Section 6 Report of the Board of Directors (Continued)

### **(VI) Reserves and reserves of profits available for distribution**

Reserves and the changes in reserves of profits available for distribution of the Group during the Reporting Period are set out in Note 49 to the consolidated financial statements and the “consolidated statement of changes in equity” in this report, which forms a part of the Report of the Board of Directors.

### **(VII) Relationship with key stakeholders**

#### 1. Employees

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

Details of the employees are contained in “VI. Details and Remuneration of Staff” under Section 9. “Directors, Supervisors, Senior Management and Employees”, which forms a part of this Report of the Board of Directors.

#### 2. Major customers and suppliers

The Company provides services for the various individual customers and institutional customers. The Company’s large customers include financial institutions, large, small and medium enterprises, institutional investors and individual customers. Most customers of the Company are located in China, mainly in Inner Mongolia. As at 31 December 2017, revenue and other income generated from the top five customers accounted for 2.41% of the revenue and other income of the Group. During the Reporting Period, as far as the Directors are aware, none of the Directors, their associates or any Shareholders who owned more than 5% of the Company’s share capital had any interest in the five largest customers.

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

### **(VIII) Property and equipment**

The relevant information is set out in Note 23 to the consolidated financial statements of this report, which forms a part of this Report of the Board of Directors.

## Section 6 Report of the Board of Directors (Continued)

### (IX) Fulfillment of social responsibilities

#### 1. Investor education

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

During the Reporting Period, the Company conducted a series of investor education activities in various forms, with rich contents and advocating innovation in strict accordance with requirements of the regulatory authorities, such as investor education and protection theme series activities themed "Learn the Rules and Discern the Risks", the 2017 annual investor education and protection series activities (including Listed Companies in my Concept and open courses), Publicity Month for Combating Illegal Activities themed "Keep Away From Illegal Securities Activities and Pass Positive Energy" and the "Investor Education for Rookies" themed broadcast exhibition. Those activities covered such areas as investor suitability system, popularisation of investors' legal rights and obligations, diversified solutions of securities disputes, demonstration of typical cases of prevention of illegal securities activities and interpretation of illegal securities cases. Through the above activities, the Company enhanced communications with investors, enhanced their awareness of rational investment and rights protection. As a result, the Company received great social benefits. Meanwhile, the Company also pressed ahead with the construction of the "investor education base", endeavoring to take investor education to a new stage.

#### 2. Social activities and public benefit donations

During the Reporting Period, in order to fully implement the requirements of CSRC and the Securities Association of China on securities companies in relation to targeted poverty alleviation, the Company responded to the industry call and formulated a work program for targeted poverty alleviation at the beginning of the year. It earnestly fulfilled its social responsibilities and carried out targeted poverty alleviation efforts by supporting the local industry, public welfare and consumption as well as other measures so as to bolster up the cause of local poverty elimination through practical actions.

In respect of poverty alleviation through industrial development, the Company assisted 4 enterprises in impoverished counties to complete recommended listing on NEEQ and Hengtai Changcai helped complete the corporate bond issuance programs for 2 enterprises in impoverished counties.

## Section 6 Report of the Board of Directors (Continued)

In respect of poverty alleviation through public welfare undertakings, the Company entered into the “one company for one county” pairing aid agreements respectively with seven impoverished counties at national level, namely, Taipusi Banner of Xilinguole League, Zhuozi County, Chahar Right Middle Banner and Siziwang Banner of Ulanqab, Arxan City, Wengniute Banner of Chifeng, Inner Mongolia, the PRC and Jialing District of Nanchong, Sichuan, the PRC and contributed a total of RMB8 million to support the public welfare projects for poverty alleviation in regard of education, health care, renovation of dilapidated houses of impoverished households, drinking water projects of impoverished households, village-wide collective husbandry, poverty alleviation through development of tourist industry and follow-up poverty alleviation practices concerning relocation of the poor in the abovementioned counties. Hengtai Changcai entered into the “one company for one county” pairing aid agreement with Chengde County in Hebei, the PRC and contributed a total of RMB800,000 to support the public welfare projects for poverty alleviation in regard of education and village-wide collective photovoltaic industry in the said county. Besides, the Company also donated RMB1.5 million for the construction of the village-level photovoltaic power station projects for poverty alleviation purposes in Xi County, Shanxi, the PRC.

In respect of poverty alleviation through consumption, the Company spent RMB300,000 on the purchase of products from relevant enterprises in Chayouzhong Banner of Ulanqab, Inner Mongolia in aid of their business development.

During the Reporting Period, the Company also proactively conducted other public benefit campaigns. In positive response to the call of the Securities Association of China, the Company organized its employees to participate in the charitable hiking campaign, donated 24,345 saplings in support of the public welfare cause regarding afforestation and ecological improvement and ranked the 5th place as “excellent team” among 226 teams participating therein. In addition, the Company also encouraged and organized employees to carry out public benefit activities such as visiting and consoling widowed or childless elderly people, poverty-stricken mothers and left-behind children. During the Reporting Period, a severe flood hit the Kouqian Town, Yongji County, Jilin City, Jilin Province, the PRC, to which the Company’s Changchun Branch Office donated RMB20,000 through the Charity Federation of Jilin City, Jilin Province, the PRC (中國吉林省吉林市慈善總會).

During the Reporting Period, Hengtai Futures donated towards the construction of loving care libraries and the presentation of books worth of RMB200,000 in aggregate for three schools in Ningcheng County and Chayouqian Banner, Ulanqab, Inner Mongolia, the PRC and Tanchang County, Gansu, the PRC.

During the Reporting Period, an earthquake hit the Jiuzhaigou County, Aba Prefecture, Sichuan Province, the PRC. Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司) proactively organized its staff to make donations to the disaster-stricken area at the amount of RMB44,000 through China Charity Federation (中華慈善總會).

## Section 6 Report of the Board of Directors (Continued)

### **(X) Material events after the Reporting Period**

The relevant information is set out in “IX. Other Important Particulars and Subsequent Events” under Section 7 “Other Material Particulars”, which forms a part of this Report of the Board of Directors.

### **(XI) Compliance of laws and regulations**

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

### **(XII) Environmental policies and performance**

The Group has been attaching importance to environmental protection and reducing the impact on the environment through measures as resource protection, resource recycling as well as energy conservation and emission reduction. The Group constantly carries out internal recycling measures in terms of its consumables (e.g. toner cartridge and paper) in order to lessen its impact on consumption of resources and impact on environment resulting from the operating activities. Furthermore, the Company encourages employees to adopt the duplex printing when printing and collect one-side paper for recycling.

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

For more details, please refer to the “2017 Environmental, Social and Governance Report” to be published separately.

### **(XIII) Business review**

The relevant information is set out in Section 5 “Management Discussion and Analysis”, which forms a part of this Report of the Board of Directors.

### **(XIV) Future development**

The relevant information is set out in XI. “Prospects” under Section 5 “Management Discussion Analysis”, which forms a part of this Report of the Board of Directors.



## Section 6 Report of the Board of Directors (Continued)

### **(XV) Material acquisitions and disposals of subsidiaries, associates and joint ventures**

The relevant information is set out in Section 5 “Management Discussion and Analysis”, which forms a part of this Report of the Board of Directors.

### **(XVI) Donations**

During the Reporting Period, the Group made charitable donations amounting to RMB10,864,000. Please refer to (IX) “Fulfillment of Social Responsibilities” under XV. “Other Disclosures” in this section.

### **(XVII) Bonds**

The relevant information is set out in V. “Major Investment and Financing” under Section 5 “Management Discussion and Analysis”, which forms a part of this Report of the Board of Directors.

By order of the Board

**Pang Jiemin**

*Chairman*

Beijing, the PRC  
28 March 2018

## Section 7 Other Material Particulars

### I. PUNISHMENT OR PUBLIC CENSURE IN THE REPORTING PERIOD

During the Reporting Period, the Directors and Supervisors of the Company were not punished or subject to any public censure. The punishments or public censures against the Company and senior management are set out below:

1. When the Department of Securities and Fund Institution Supervision under the CSRC conducted the field inspection at the Company in the second half of October in 2016, it noticed the following non-compliance by the Company: (1) certain business departments marketed private asset management products to non-specified objects through WeChat under the namesake of the Company; and (2) there were loopholes in the internal control and management system with regard to the transactional practices of the practitioners when dealing with the shares. On 17 January 2017, the Company received the Notice of Rectification Measures on and the Decision on Issuing a Warning Letter to Hengtai Securities Co., Ltd (Notice on Administrative Regulatory Measures [2017] No. 1) (《關於對恒泰證券股份有限公司採取責令改正、出具警示函措施的決定》(行政監管措施決定書[2017]1號)) from the CSRC, and the Prior Notification on Punishment (Ji Gou Bu Han [2017] No.150) (《責令處分事先告知書》(機構部函[2017]150號)) from the Department of Securities and Fund Institution Supervision under the CSRC, pursuant to which, the Company was instructed to impose punishment on Mr. Niu Zhuang, the President of the Company, and Ms. Yu Fang, the Chief Compliance Officer of the Company. The Company took this very seriously and timely adopted appropriate measures to prevent re-occurrence of such incidents in the future as well as launching internal accountability procedure. For details, please refer to the relevant disclosures set out in “XI. Other Important Particulars and Subsequent Events” under this Section 7 “Other Material Particulars” of the 2016 annual report of the Company.

On 12 April 2017, the Company formally received the Notice of Decision on Disciplinary Actions To Be Taken against Mr. Niu Zhuang and Ms. Yu Fang (Notice on Administrative Regulatory Measures [2017] No. 48) (《關於牛壯、于芳採取責令處分措施的決定》(行政監管措施決定書[2017]48號)) from the CSRC, pursuant to which, the Company was instructed to impose punishment on Mr. Niu Zhuang, the President of the Company, and Ms. Yu Fang, the Chief Compliance Officer of the Company, in accordance with the requirements of the relevant rules of the Company within 10 working days from the date of the notice. Thereafter, the Company took disciplinary actions against Mr. Niu Zhuang, the President of the Company, and Ms. Yu Fang, the Chief Compliance Officer in accordance with the Accountability Measures of Hengtai Securities Co., Ltd (《恒泰證券股份有限公司問責處理辦法》), by circularizing a notice of internal criticism and imposing fines.

## Section 7 Other Material Particulars (Continued)

2. On 17 January 2017, Hengtai Changcai received the Notice of the Decision on Issuing a Warning Letter to Hengtai Changcai Securities Co., Ltd. (Notice on Administrative Regulatory Measures [2017] No. 2) (《關於對恒泰長財證券有限責任公司採取出具警示函措施的決定》(行政監管措施決定書[2017]2號)) from the CSRC, pursuant to which, the administrative regulatory measure of issuing a warning letter was imposed on Hengtai Changcai for insufficient inspection over the major customers and suppliers of the target assets when acting as the financial adviser for the purchase of assets through issuance of shares and cash payment and raising of supporting funds by Henan Taloph Pharmaceutical Stock Co., Ltd..

Hentai Changcai paid high attention to the problems revealed in the notice and convened thematic sessions in this regard. Upon targeted researches and deliberation as well as extensive analysis of the reasons causing the problems, Hengtai Changcai has come up with corresponding rectification measures, including conducting self-examination on the projects for which it served as financial adviser, further learning relevant systems, improving internal control and establishing a long-term mechanism for compliance management.

3. On 16 May 2017, the Company received the Notice of Rectification Measures on Hengtai Securities Co., Ltd Taiyuan Pingyang Road Securities Branch (Notice on Administrative Regulatory Measures [2017] No.8) (《關於對恒泰證券股份有限公司太原平陽路證券營業部採取責令改正措施的決定》(行政監管措施決定書[2017]8號)) from the Shanxi Bureau of the CSRC, pursuant to which, Taiyuan Pingyang Road Securities Branch of the Company was ordered to make rectification in respect of invalid precautions against mobile stock trading by practitioners due to its failure in getting the cellphones publicly used by practitioners under the abnormal transaction surveillance.

Taiyuan Pingyang Road Securities Branch of the Company made rectification in accordance with relevant requirements, strengthened trainings and management of employees and carried out overall self-examination on the cellphones and computers of existing employees on the one hand, and enhanced abnormal transaction monitoring and information system management and perfected internal control on the other hand, with a view to preventing illegal behaviors of practitioners in a practical and effective manner.

4. On 7 July 2017, the Company received the Notice of the Decision on Imposition of Corrective Measures on Hengtai Securities Co., Ltd (Gu Zhuan Xi Tong Fa [2017] No. 931) (《關於對恒泰證券股份有限公司採取自律監管措施的決定》(股轉系統發[2017]931號)) issued by the NEEQ. While rendering market-making services for Hangzhou Tianfeng Power Supply Co., Ltd. (杭州天豐電源股份有限公司) (stock abbreviation: Tianfeng Power Supply; stock code: 832283), the Company subscribed for and traded the shares at a quoted price greatly deviated from the previous closing price and as revealed by the market trend, resulting in drastic fluctuation of the share price in the intraday trading. The warning letter of Corrective Measures was issued in this regard.

## Section 7 Other Material Particulars (Continued)

The Company paid high attention to the problems unveiled in the notice and instructed relevant department to make prompt investigation. Upon investigation, it was found that the great deviation of stock price from the normal range in a wink was due to the neglect of a trader who input wrong quotation that fluctuated over 30% compared to the previous closing price and ignored the risk warning from the trading system, and 5,000 shares were traded at such price. In respect of the problems revealed in this event, the Company has made conscientious rectification and seriously punished responsible personnel and will further improve risk management procedures, foster all employees' awareness of legal and regulatory compliance and enhance professional skills, so as to eradicate similar incidents.

5. On 28 July 2017, the Company received the Disciplinary Action Verdict (Zhong Ji Xie Chu Fen [2017] No.3) (《紀律處分決定書》(中基協處分[2017]3號)) from the Asset Management Association of China, pursuant to which, the Asset Management Association of China imposed punishment on the Company for the violations by three asset-backed specialized schemes under the management of the Company and resolved to suspend the acceptance of filing by the Company for its asset-backed specialized schemes for a period of six months commencing from 1 August 2017. Currently, the Company is undergoing rectifications proactively and conscientiously, and will continue to reinforce the construction of business systems and improve the professional standards of business in accordance with relevant laws, administrative regulations and requirements of the Asset Management Association of China. For details, please refer to the announcement of the Company dated 31 July 2017 published on the website of Hong Kong Stock Exchange.

## II. SIGNIFICANT LAWSUITS AND ARBITRATIONS

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

None in the Reporting Period.

### (II) Cases concluded in the Reporting Period

None in the Reporting Period.

### (III) Cases on enforcement procedures and bankruptcy proceedings

None in the Reporting Period.

## Section 7 Other Material Particulars (Continued)

### III. SIGNIFICANT CONTRACTS AND CONTRACT FULFILLMENT

1. The Company entered into a property lease contract with China Everbright Bank, Hohhot Branch on 1 September 2015, pursuant to which the Company leased from China Everbright Bank, Hohhot Branch the space of 14–18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region, China for a term of 1 year commencing from 1 September 2015. The property lease contract was renewed on 1 September 2016 and 1 September 2017, respectively. The rental paid by the Company for the Reporting Period was RMB6,003,000.
2. The Company entered into a property lease contract with China Life Real Estate Co., Limited on 1 March 2016, pursuant to which the Company leased from China Life Real Estate Co., Limited the space of the Unit 1101, 11/F, China Life Centre, Financial Street, Xicheng District, Beijing, China for a term of 3 years commencing from 1 March 2016. The rental paid by the Company for the Reporting Period was RMB21,980,300.

### IV. CONNECTED TRANSACTIONS

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

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

## Section 7 Other Material Particulars (Continued)

Such property leasing and related services framework agreement became effective from the Listing Date and expired on 31 December 2017, subject to renewal. The Hong Kong Stock Exchange has granted a waiver to the continuing connected transactions from compliance with the announcement requirement under Chapter 14A of the Listing Rules subject to the condition that the annual transaction value shall not exceed the relevant proposed annual caps. For details of the principal terms and pricing basis of the property leasing and related services framework agreement, please refer to the section headed "Connected Transactions" in the Prospectus. The amount of the above continuing connected transactions during the Reporting Period was RMB9,490,074, not exceeding the 2017 annual caps of RMB21.6 million disclosed in the section headed "Connected Transactions" in the Prospectus.

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

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

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

Based on the foregoing continuing connected transactions:

- a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- c. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

## Section 7 Other Material Particulars (Continued)

- d. with respect to the aggregate amount of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the 2017 annual cap as set by the Company in the section “Connected Transactions” of the Prospectus.

Save as disclosed above, other transactions set out in Note 55 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions or are exempt from compliance with reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### V. ATTAINED QUALIFICATIONS FOR SINGLE BUSINESS

None in the Reporting Period.

### VI. SHARE OPTION SCHEME AND EQUITY INCENTIVE SCHEME

During the Reporting Period, the Company did not adopt nor implement any share option scheme or equity incentive scheme.

### VII. CLASSIFIED EVALUATION RESULTS OF THE COMPANY FROM SECURITIES REGULATORY AUTHORITY

In the classified evaluation of the PRC securities companies in 2017 carried out by the CSRC, the Company was assigned an CCC rating in Class C.

### VIII. ENGAGEMENT OF ACCOUNTING FIRMS

The Company appointed Ruihua Certified Public Accountants LLP and RSM Hong Kong as its external auditors for 2017 for providing correlated audit and review services, based on China’s Accounting Standards for Business Enterprises and International Financial Reporting Standards, respectively.

Whether appointed other accounting firms in the past three years: Yes.

As the Company could not reach a consensus with KPMG on the audit fee proposed for the financial year ended 31 December 2016, the resolution in respect of the change of International Auditors was considered and approved at the 2015 annual general meeting of the Company held on 27 May 2016, pursuant to which the Company ceased to re-appoint KPMG as its international accounting firm for 2016 and appointed RSM Hong Kong as its international accounting firm for 2016.

## Section 7 Other Material Particulars (Continued)

### 1. Domestic accounting firms, signing accountants and service lengths:

Ruihua Certified Public Accountants LLP, Ms. Pan Shuai and Mr. Hu Wei, ten years.

### 2. International accounting firms and service lengths:

RSM Hong Kong, two years.

### 3. Remunerations for accounting firm

The Company paid RMB1.63 million to Ruihua Certified Public Accountants LLP for annual audit fee in 2017.

The Company paid RMB0.70 million to RSM Hong Kong for interim review fee in 2017 and RMB1.80 million for annual audit fee in 2017.

## IX. OTHER IMPORTANT PARTICULARS AND SUBSEQUENT EVENTS

### (I) Change of Shareholders, Directors, Supervisors and senior management of the Company after the Reporting Period

#### 1. Possible Disposal of Shares by Substantial Shareholders

The Company was informed by nine shareholders of the Company (collectively, the “**Sellers**”) that, on 29 December 2017, the Sellers have entered into a legal binding framework sale and purchase agreement (the “**Framework Agreement**”) with CITIC Guoan Group Company Limited (“**Citic Guoan Group**”), pursuant to which the Sellers have agreed to sell, and Citic Guoan Group has agreed to purchase (through itself or nominee) a total of 779,687,560 domestic shares of the Company, representing approximately 29.94% of the issued share capital of the Company, subject to the signing of definitive agreement by the Sellers and Citic Guoan Group before 31 March 2018 and approval by CSRC. For details, please refer to the announcement of the Company dated 2 January 2018 published on the website of Hong Kong Stock Exchange.



## Section 7 Other Material Particulars (Continued)

### 2. Change of Directors of the Company after the Reporting Period

As at 5 January 2018, the Inner Mongolia Securities Regulatory Bureau of the CSRC issued the Approval on Qualification of Dong Hong as a Director of Securities Company (Nei Zheng Jian Xu Ke [2018] No. 1) (《關於董紅證券公司董事任職資格的批覆》(內證監許可[2018]1號)) and the Approval on Qualification of Lv Wendong as an Independent Director of Securities Company (Nei Zheng Jian Xu Ke [2018] No. 2) (《關於核准呂文棟證券公司獨立董事任職資格的批覆》(內證監許可[2018]2號)), pursuant to which, Ms. Dong Hong's qualification as a director of securities company and Mr. Lv Wendong's qualification as an independent director of securities company have been approved. Accordingly, the appointment of Ms. Dong Hong as a non-executive Director and Mr. Lv Wendong as an independent non-executive Director have come into effect since 5 January 2018.

On 31 January 2018, the Inner Mongolia Securities Regulatory Bureau of the CSRC issued the Approval on Qualification of Gao Liang as a Director of Securities Company (Nei Zheng Jian Xu Ke [2018] No. 4) (《關於高靚證券公司董事任職資格的批覆》(內證監許可[2018]4號)), pursuant to which, Ms. Gao Liang's qualification as a director of securities company has been approved. Accordingly, the appointment of Ms. Gao Liang as a non-executive Director has become effective from 31 January 2018.

### (II) Annual profit distribution plan of the Company

#### 1. Annual profit distribution plan of the Company

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

### (III) Major investment & financing after the Reporting Period

#### 1. Major investment of the Company

None.

#### 2. Major financing of the Company

On 18 January 2018, the Company issued the beneficiary certificates "Hengfu No. 14" with an issuance size of RMB60 million and a term of 364 days at an interest rate of 5.50%.

On 14 March 2018, the Company issued the beneficiary certificates "恒創泰富13號" with an issuance size of RMB500 million and a term of 365 days at an interest rate of 6.20%.

## Section 7 Other Material Particulars (Continued)

### **(IV) Significant litigations and arbitrations after the Reporting Period**

None.

### **(V) Merger or disposal of subsidiaries after the Reporting Period**

On 22 January 2018, as Shenzhen Hengtai Baojuchang Investment Management Co., Ltd. does not conduct actual operation activities, Hengtai Capital transferred the 51% equity interests in Shenzhen Hengtai Baojuchang Investment Management Co., Ltd. to Liu Zhihong (劉志宏), an independent third party, at a consideration of RMB1. Upon completion of the transfer, Hengtai Capital no longer held any equity interests in Shenzhen Hengtai Baojuchang Investment Management Co., Ltd..

### **(VI) Other major subsequent events which may affect the financial conditions, operating results, and cash flow of the Company**

On 31 March 2017, the Ministry of Finance of the PRC issued “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument” (Cai Kuai [2017] No. 7), “Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets” (Cai Kuai [2017] No. 8), “Accounting Standard for Business Enterprises No. 24 – Hedge Accounting” (Cai Kuai [2017] No. 9), and on 2 May 2017, issued “Accounting Standard for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument” (Cai Kuai [2017] No. 14). As required by it, enterprises listed in both domestic and overseas stock markets or enterprises listed overseas and applying IFRS or the Accounting Standards for Business Enterprises to prepare financial statements shall apply the above-mentioned Standards from 1 January 2018.

On 5 July 2017, the Ministry of Finance of the PRC issued the “Notice on the Revision and Issuance of ‘Accounting Standards for Business Enterprises No. 14 – Revenue’” (Cai Kuai [2017] No. 22), and then officially issued “Accounting Standard for Business Enterprises No. 14 – Revenue” (Revised in 2017). As required by it, enterprises listed in both domestic and overseas stock markets or enterprises listed overseas and applying IFRS or the Accounting Standards for Business Enterprises to prepare financial statements shall apply the above-mentioned Standard from 1 January 2018.

The implementation of the above-mentioned revised Accounting Standards for Business Enterprises will have certain influence on the presentation of the Company’s operating results due to the change in accounting treatment as compared to the former ones.

### **(VII) Change of the Articles of Association after the Reporting Period**

As at 27 March 2018, upon approval by the Inner Mongolia Securities Regulatory Bureau of the CSRC with the Reply on Approval of Amendments to Important Articles of the Articles of Association by Hengtai Securities Co., Ltd. (Nei Zheng Jian Xu Ke [2018] No. 8) (《關於核准恒泰證券股份有限公司變更公司章程重要條款的批復》(內證監許可[2018]8號)), the Company was approved to change the important articles of the articles of association. The revised articles of association took effect on 27 March 2018.

## Section 8 Equity (Capital) Changes and Substantial Shareholders

### I. SHAREHOLDING STRUCTURE

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

### II. CHANGES IN SHARES

None in the Reporting Period.

### III. SHAREHOLDERS

At the end of the Reporting Period, the Company had 51 registered shareholders, including 22 registered holders of Domestic Shares and 29 registered holders of H Shares.

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

No.	Name of shareholders	Nature of shareholders	Class of shares	Number of shares held	Percentage	Number of shares changed during the year	Number of shares held without sale limitations	Number of shares held with sale limitations	Pledge or freezing status	
									Status of shares	Number
1	HKSCC Nominees Limited <sup>11</sup>	Overseas legal person	H Shares	450,744,900	17.31%	-	450,744,900	0	-	-
2	Baotou Huazi Industry Co., Ltd.	Social legal person	Domestic Shares	308,000,000	11.83%	-	308,000,000	0	-	-
3	Beijing Qingyun Intercontinental Technology Co., Ltd.	Social legal person	Domestic Shares	226,961,315	8.71%	-	226,961,315	0	Pledged	224,194,478
4	Beijing Finance Street Xihuan Properties Co., Ltd.	State-own legal person	Domestic Shares	211,472,315	8.12%	-	211,472,315	0	-	-
5	Beijing Huijin Jiaye Investment Co., Ltd.	Social legal person	Domestic Shares	206,182,000	7.92%	-	206,182,000	0	Pledged	202,342,922
6	Beijing Finance Street Investment (Group) Co., Ltd.	State-own legal person	Domestic Shares	165,418,345	6.35%	-	165,418,345	0	-	-
7	Beijing Huarong Infrastructure Investment Co., Ltd.	State-own legal person	Domestic Shares	155,079,698	5.95%	-	155,079,698	0	-	-
8	Tibet Dazi Huifa Investment Co., Ltd.	Social legal person	Domestic Shares	154,000,000	5.91%	-	154,000,000	0	-	-
9	Beijing Hongzhi Huitong Industrial Co., Ltd.	Social legal person	Domestic Shares	154,000,000	5.91%	-	154,000,000	0	Pledged	154,000,000
10	Hua Chen Trust Limited Corporation	State-own legal person	Domestic Shares	92,297,832	3.54%	-	92,297,832	0	-	-

Note 1: Shares held by HKSCC Nominees Limited are owned by non-registered H shareholders.

## Section 8 Equity (Capital) Changes and Substantial Shareholders (Continued)

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

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

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

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

Name of shareholders	Legal representative	Date of establishment	Registered capital (RMB0'000)	Registered address	Principal business
Baotou Huazi Industry Co., Ltd.	Song Weidong (宋衛東)	30 November 1998	48,493.2	South Road of National Rare Earth High-Tech Industrial Development Zone, Baotou City, Inner Mongolia Autonomous Region, China	Production and sales of sugar, molasses; operation of export of products and relevant technologies manufactured and developed by itself; operation of importing of raw and auxiliary materials, machinery, equipment, instruments and spare parts required for production; conducting foreign co-production and compensated trade business

## Section 8 Equity (Capital) Changes and Substantial Shareholders (Continued)

### IV. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, to the knowledge of the Directors after having made all reasonable enquiries, the following persons (excluding the Directors, Supervisors or senior management of the Company) had interests or short positions in the shares or underlying shares of the Company which had to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and were recorded, pursuant to Section 336 of the SFO, in the register referred to therein:

Name of substantial shareholders	Class of Shares	Nature of interest	Number of shares held (shares)	Approximate percentage of total number of issued shares of the Company <sup>1</sup> (%)	Approximate percentage of the Company's total issued Domestic Shares <sup>1</sup> (%)	Long positions/ short positions/ shares available for lending
Huarong Infrastructure <sup>2</sup>	Domestic Shares	Beneficial owner	155,079,698	5.95	7.20	Long positions
Finance Street Capital <sup>2</sup>	Domestic Shares	Interests of controlled corporation	155,079,698	5.95	7.20	Long positions
Finance Street Investment <sup>3</sup>	Domestic Shares	Beneficial owner	165,418,345	6.35	7.68	Long positions
Finance Street Xihuan Properties <sup>4</sup>	Domestic Shares	Beneficial owner	211,472,315	8.12	9.82	Long positions
Huarong Investment <sup>4</sup>	Domestic Shares	Interests of controlled corporation	211,472,315	8.12	9.82	Long positions
SASAC Xicheng District <sup>2, 3, 4</sup>	Domestic Shares	Interests of controlled corporation	531,970,358	20.42	24.70	Long positions
Baotou Huazi <sup>5</sup>	Domestic Shares	Beneficial owner/parties acting in concert	443,868,000	17.04	20.61	Long positions
Tomorrow Holding <sup>5</sup>	Domestic Shares	Interests of controlled corporation/parties acting in concert	443,868,000	17.04	20.61	Long positions
Zhongchang Hengyuan <sup>5</sup>	Domestic Shares	Beneficial owner/parties acting in concert	443,868,000	17.04	20.61	Long positions
Shanghai Yida <sup>5</sup>	Domestic Shares	Beneficial owner/parties acting in concert	443,868,000	17.04	20.61	Long positions
Huifa Investment <sup>6</sup>	Domestic Shares	Beneficial owner	154,000,000	5.91	7.15	Long positions
Ms. Chen Shan <sup>6</sup>	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Mr. Shen Weimin <sup>6</sup>	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Huijin Jiaye <sup>7</sup>	Domestic Shares	Beneficial owner	206,182,000	7.92	9.57	Long positions
Shanghai Xishida <sup>7</sup>	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long positions
Shenzhen Zhongxin <sup>7</sup>	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long positions
Shanghai Julu <sup>7</sup>	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long positions
Mr. Ci Penghui <sup>7</sup>	Domestic Shares	Interests of controlled corporation	206,182,000	7.92	9.57	Long positions
Qingyun Intercontinental <sup>8</sup>	Domestic Shares	Beneficial owner	226,961,315	8.71	10.54	Long positions
Ningbo Shike <sup>8</sup>	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long positions
Shaanxi Hongya <sup>8</sup>	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long positions
Mr. Duan Shuai <sup>8</sup>	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long positions
Mr. Sun Yuanlin <sup>8</sup>	Domestic Shares	Interests of controlled corporation	226,961,315	8.71	10.54	Long positions
Hongzhi Huitong <sup>9</sup>	Domestic Shares	Beneficial owner	154,000,000	5.91	7.15	Long positions
Shaanxi Tianchen <sup>9</sup>	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Hangzhou Ruisi <sup>9</sup>	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Suzhou Bingtai <sup>9</sup>	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Mr. Zhang Li <sup>9</sup>	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Nice Hill International Limited <sup>10</sup>	H Shares	Beneficial owner	39,540,000	1.52	8.77	Long positions
Mason Investments Limited <sup>10</sup>	H Shares	Interests of controlled corporation	39,540,000	1.52	8.77	Long positions
Mason Assets Limited <sup>10</sup>	H Shares	Interests of controlled corporation	39,540,000	1.52	8.77	Long positions
Mason Financial Services Group Limited <sup>10, 11</sup>	H Shares	Interests of controlled corporation	39,540,000	1.52	8.77	Long positions
Mason Financial Services Group Limited <sup>10, 12</sup>	H Shares	Interests of controlled corporation	39,540,000	1.52	8.77	Long positions
Mason Financial Holdings Limited <sup>10</sup>	H Shares	Interests of controlled corporation	39,540,000	1.52	8.77	Long positions

## Section 8 Equity (Capital) Changes and Substantial Shareholders (Continued)

### Notes:

1. As at 31 December 2017, there was a total of 2,604,567,412 shares of the Company in issue, comprising 2,153,721,412 Domestic Shares and 450,846,000 H Shares.
2. Huarong Infrastructure is wholly-owned by Finance Street Capital, which is in turn wholly-owned by SASAC Xicheng District. Therefore, each of Finance Street Capital and SASAC Xicheng District is deemed to be interested in 155,079,698 Domestic Shares held by Huarong Infrastructure.
3. Finance Street Investment is wholly-owned by SASAC Xicheng District. Therefore, SASAC Xicheng District is deemed to be interested in 165,418,345 Domestic Shares held by Finance Street Investment.
4. 90.00% of the equity interest in Finance Street Xihuan Properties is held by Huarong Investment, which is in turn wholly-owned by SASAC Xicheng District. Therefore, each of Huarong Investment and SASAC Xicheng District is deemed to be interested in 211,472,315 Domestic Shares held by Finance Street Xihuan Properties.
5. Tomorrow Holding, Zhongchang Hengyuan and Shanghai Yida have entered into an agreement to act in concert in respect of their shareholding in the Company. Therefore, each of Tomorrow Holding, Baotou Huazi (which is held by Tomorrow Holding as to approximately 54.32%), Zhongchang Hengyuan and Shanghai Yida is deemed to be interested in 443,868,000 Domestic Shares (being an aggregate of 308,000,000, 75,100,000 and 60,768,000 Domestic Shares held by Baotou Huazi, Zhongchang Hengyuan and Shanghai Yida, respectively).
6. 53.33% and 46.67% of the equity interest in Huifa Investment is held by Mr. Shen Weimin (沈為民) and Ms. Chen Shan (陳姍), respectively. Therefore, each of Mr. Shen Weimin (沈為民) and Ms. Chen Shan (陳姍) is deemed to be interested in 154,000,000 Domestic Shares held by Huifa Investment.
7. 99.99% of the equity interest in Huijin Jiaye is held by Shanghai Xishida. 95.00% of the equity interest in Shanghai Xishida is held by Shenzhen Zhongxin. 99.47% of the equity interest in Shenzhen Zhongxin is held by Shanghai Julu. 35.00% of the equity interest in Shanghai Julu is held by Mr. Ci Penghui (慈鵬輝). Therefore, each of Shanghai Xishida, Shenzhen Zhongxin, Shanghai Julu, and Mr. Ci Penghui (慈鵬輝) is deemed to be interested in 206,182,000 Domestic Shares held by Huijin Jiaye.
8. 70% of the equity interest in Qingyun Intercontinental is held by Ningbo Shike, which is in turn held by Shaanxi Hongya as to 99.60%. Shaanxi Hongya is held by Mr. Duan Shuai (段帥) and Mr. Sun Yuanlin (孫元林) as to 49.00% and 51.00%, respectively. Therefore, each of Ningbo Shike, Shaanxi Hongya, Mr. Duan Shuai and Mr. Sun Yuanlin (孫元林) is deemed to be interested in 226,961,315 Domestic Shares held by Qingyun Intercontinental.
9. 97.08% of the equity interest in Hongzhi Huitong is held by Shaanxi Tianchen. 98.67% of the equity interest in Shaanxi Tianchen is held by Hangzhou Ruisi. 94.00% of the equity interest in Hangzhou Ruisi is held by Suzhou Bingtai. 81.82% of the equity interest in Suzhou Bingtai is held by Mr. Zhang Li (張利). Therefore, each of Shaanxi Tianchen, Hangzhou Ruisi, Suzhou Bingtai and Mr. Zhang Li (張利) is deemed to be interested in 154,000,000 Domestic Shares held by Hongzhi Huitong.

## Section 8 Equity (Capital) Changes and Substantial Shareholders (Continued)

10. Nice Hill International Limited is wholly-owned by Mason Investments Limited, which is in turn wholly-owned by Mason Assets Limited; while Mason Assets Limited is wholly-owned by Mason Financial Services Group Limited (which is located in the Marshall Islands); Mason Financial Services Group Limited (which is located in the Marshall Islands) is wholly-owned by Mason Financial Services Group Limited (which is located in the Cayman Islands), which is in turn wholly-owned by Mason Financial Holdings Limited. Therefore, each of Mason Investments Limited, Mason Assets Limited, Mason Financial Services Group Limited, Mason Financial Services Group Limited and Mason Financial Holdings Limited is deemed to be interested in 39,540,000 H Shares held by Nice Hill International Limited.
11. Mason Financial Services Group Limited is located in Marshall Islands.
12. Mason Financial Services Group Limited is located in Cayman Islands.

Save as disclosed above, as at 31 December 2017, the Company is not aware of any other persons (excluding the Directors, Supervisors and senior management of the Company) having any interest or short position in the shares or underlying shares of the Company which will be required to be recorded in the register under Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries has redeemed, purchased or sold any of the Company's listed securities during the Reporting Period.

### **VI. PRE-EMPTIVE RIGHTS**

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

## Section 9 Directors, Supervisors, Senior Management and Employees

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

#### (I) Directors

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period <i>(RMB in thousand)</i>	Remarks
1	Pang Jiemin (龐介民)	Male	46	Chairman of the Board and executive Director	From 22 December 2017 to 21 December 2020	6,698	–
2	Wu Yigang (吳誼剛)	Male	58	Vice chairman of the Board and executive Director	From 22 December 2017 to 21 December 2020	5,121	–
3	Zhang Tao (張濤)	Male	39	Non-executive Director	From 22 December 2017 to 21 December 2020	50	–
4	Sun Chao (孫超)	Male	34	Non-executive Director	From 22 December 2017 to 21 December 2020	50	–
5	Dong Hong (董紅)	Female	48	Non-executive Director	From 5 January 2018 to 21 December 2020	–	–
6	Gao Liang (高靚)	Female	47	Non-executive Director	From 31 January 2018 to 21 December 2020	–	–
7	Zhou Jianjun (周建軍)	Female	48	Independent non- executive Director	From 22 December 2017 to 21 December 2020	100	–
8	Lam Sek Kong (林錫光)	Male	58	Independent non- executive Director	From 22 December 2017 to 21 December 2020	100	–
9	Lv Wendong (呂文棟)	Male	50	Independent non- executive Director	From 5 January 2018 to 21 December 2020	–	–
10	Chen Guanglei (陳廣壘)	Male	48	Non-executive Director	From 24 November 2014 to 22 November 2017	50	Resigned on 22 November 2017
11	Peng Diyun (彭迪雲)	Male	54	Independent non- executive Director	From 24 November 2014 to 22 November 2017	100	Retired on 22 December 2017



## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### (II) Supervisors

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period <i>(RMB in thousand)</i>	Remarks
1	Guo Liwen (郭力文)	Male	57	Chairman of Supervisory Committee	From 22 December 2017 to 21 December 2020	5,000	–
2	Pei Jingjing (裴晶晶)	Female	34	Shareholder representative Supervisor	From 22 December 2017 to 21 December 2020	30	–
3	Wang Hui (王慧)	Male	44	Employee representative Supervisor	From 22 December 2017 to 21 December 2020	896	–

### (III) Senior management

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period <i>(RMB in thousand)</i>	Remarks
1	Niu Zhuang (牛壯)	Male	45	President	From 22 December 2017 to 21 December 2020	5,992	–
2	Zhang Wei (張偉)	Male	47	Vice President, secretary of the Board	From 22 December 2017 to 21 December 2020	3,876	–
3	Fu Lixin (付立新)	Female	51	Vice President	From 22 December 2017 to 21 December 2020	3,967	–
4	Wu Lihui (武麗輝)	Female	46	Vice President	From 22 December 2017 to 21 December 2020	3,561	–
5	Zhao Peiwu (趙培武)	Male	53	Vice President	From 22 December 2017 to 21 December 2020	4,466	–
6	Huang Weiguo (黃偉國)	Male	40	Vice President	From 22 December 2017 to 21 December 2020	1,557	–
7	Liu Quansheng (劉全勝)	Male	42	Vice President	From 22 December 2017 to 21 December 2020	3,441	–
8	Pang Jiemin (龐介民)	Male	46	Chief compliance officer (Acting)	From 2 November 2017 to present	–	–
9	Yu Fang (于芳)	Female	36	Chief risk officer	From 22 December 2017 to 21 December 2020	4,227	Resigned from the office of chief compliance officer on 2 November 2017
10	Yang Shufei (楊淑飛)	Female	44	Chief financial officer	From 22 December 2017 to 21 December 2020	3,441	–

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

### (I) Appointment in Shareholders' Companies

No.	Name	Position in the Company	Employing unit	Position in Shareholders' Company	Term of office
1	Zhang Tao (張濤)	Non-executive Director	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司)	Chairman of Supervisory Committee	May 2008 to present
2	Sun Chao (孫超)	Non-executive Director	Beijing Qingyun Intercontinental Technology Co., Ltd. (北京慶雲洲際科技有限 公司)	Chairman and general manager	December 2013 to present
			Dalian Ben Hao Cheng Industrial Co., Ltd. (大連本浩成實業有限公司)	Chairman and general manager	August 2013 to present
3	Dong Hong (董紅)	Non-executive Director	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	Chief Legal Advisor	March 2015 to present
			Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司)	Director	November 2016 to present
4	Gao Liang (高靚)	Non-executive Director	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	Director	December 2013 to present
5	Pei Jingjing (裴晶晶)	Shareholder representative Supervisor	Beijing Huijin Jiaye Investment Co., Ltd. (北京匯金嘉業投資有限 公司)	Executive director and general manager	February 2013 to present
			Shanghai Xishida Electronics Ltd. (上海喜仕達電子科技技術有限 公司)	Executive director and general manager	April 2012 to present

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### (II) Appointment in Other Units

No.	Name	Position in the Company	Employing unit	Position in other units	Term of office
1	Pang Jiemin (龐介民)	Chairman of the Board and executive Director	Inner Mongolia Securities & Futures Association in China (中國內蒙古證券期貨協會)	President	April 2016 to present
2	Zhou Jianjun (周建軍)	Independent non-executive Director	Beijing Zhongchuan Xinju Accounting Firm Company Limited (北京中川鑫聚會計師事務所有限責任公司)	Chief accountant	April 2009 to present
3	Lam Sek Kong (林錫光)	Independent non-executive Director	Messrs. S.K. Lam, Alfred Chan & Co. (林錫光、陳啟鴻律師行)	Partner	June 1996 to present
			APT Satellite Holdings Limited (亞太衛星控股有限公司)	Independent Non-executive Director	July 2007 to present
4	Lv Wendong (呂文棟)	Independent non-executive Director	Business School of University of International Business and Economics (對外經濟貿易大學)	Professor	December 2009 to present
			Scientific Decision Making Magazine (《科學決策》雜誌社)	President	January 2011 to present
			Chinese Social and Economic Systems Analysis Research Association (中國社會經濟系統分析研究會)	Vice-chairman	December 2014 to present
5	Gao Liang (高靚)	Non-executive Director	Finance Street Holdings Co., Ltd. (金融街控股股份有限公司)	Chairman	January 2017 to present

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

#### (I) Directors

**Mr. Pang Jiemin** (龐介民), aged 46, has been a Director and the chairman of the Board and legal representative since December 2010. Before joining our Group, Mr. Pang served in Beijing Huarong Comprehensive Investment Company (北京華融綜合投資公司) as a deputy general manager from May 2010 to December 2010. Mr. Pang graduated from Hebei University of Economics and Business (河北經貿大學, formerly known as Hebei College of Finance and Economics (河北財經學院)) in Shijiazhuang, Hebei Province, the PRC with a bachelor's degree of finance in July 1993. He then obtained a master's degree of economics from Central Institute of Finance and Banking (中央財政金融學院, now known as Central University of Finance and Economics (中央財經大學)) in Beijing, the PRC in March 1996. Mr. Pang obtained a doctor's degree of economics in Southwestern University of Finance and Economics (西南財經大學) in Chengdu, Sichuan Province, the PRC in January 2005. From December 2007 to May 2008, Mr. Pang was a visiting post-doctor researcher at the ICMA Centre of University of Reading in the United Kingdom. Mr. Pang was granted the qualification as economist (經濟師資格) by Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) in November 1997. He also passed the 21st qualification test for senior management of securities institutions organized by the SAC in December 2010.

**Mr. Wu Yigang** (吳誼剛), aged 58, has been a Director and the vice chairman of our Board since October 2008 and June 2015, respectively. Mr. Wu is currently responsible for formulating our corporate and business strategies and making major corporate and operational decisions and responsible for the corporate governance matters. Mr. Wu served as the president of the Company from April 2003 to June 2015. Mr. Wu completed a college course in radio fax and graduated from Inner Mongolia University (內蒙古大學) in Hohhot, Inner Mongolia, the PRC in July 1987. He completed an undergraduate course in economics and management and graduated from Inner Mongolia Autonomous Region Party Committee Party School (中共內蒙古自治區委員會黨校) in Hohhot, Inner Mongolia, the PRC in January 1997. Mr. Wu then completed a postgraduate course in market economy and graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in November 1998.

**Mr. Zhang Tao** (張濤), aged 39, has been a Director since November 2008. Concurrently, he has also been assuming the position of chairman of the board of supervisors in Baotou Huazi (a substantial shareholder of our Company) since May 2008. Before joining our Group, he served in Baotou Huazi as a director, in charge of investment and financing from September 2001 to April 2008. Mr. Zhang graduated from The Open University of China (中央廣播電視大學) in Beijing, the PRC and majored in law in May 2005.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

**Mr. Sun Chao** (孫超), aged 34, has been a Director since January 2015. He has concurrently been acting as the president and general manager of Dalian Ben Hao Cheng Industrial Co., Ltd. (大連本浩成實業有限公司) and the president and general manager of Qingyun Intercontinental in charge of designing, negotiating and managing the investment project since August 2013 and December 2013, respectively. Before joining our Group, he served as an assistant to general manager in charge of industry research and a deputy general manager in charge of direct project investment management in Dalian Ben Hao Cheng Industrial Co., Ltd. (大連本浩成實業有限公司) from July 2008 to September 2010 and from September 2011 to August 2013, respectively. He also worked as a deputy general manager in charge of project investment management in Qingyun Intercontinental from September 2012 to December 2013. Mr. Sun graduated from East China Normal University (華東師範大學) in Shanghai, the PRC with a bachelor's degree majoring in software engineering in July 2008. He obtained a master's degree of arts majoring in international financial analysis from University of Newcastle upon Tyne in Newcastle, the United Kingdom in September 2011.

**Ms. Dong Hong** (董紅), aged 48, has been a Director since January 2018. Ms. Dong successively served as an assistant judge and judge at the economic tribunal of Fengtai District People's Court of Beijing Municipality (北京市豐台區人民法院) from August 1989 to May 2000. She was then successively served as a judge of the commercial tribunal and a deputy chief judge and a chief judge of Nanmofang People's Tribunal (南磨房人民法庭) at Chaoyang District People's Court of Beijing Municipality (北京市朝陽區人民法院) from May 2000 to March 2015. She has been the general counsel in Finance Street Investment since March 2015. Ms. Dong graduated from Beijing College of Politics and Law (北京政法職業學院) formerly known as Beijing School of Justice (北京市司法學校) in Beijing, the PRC with a specialized secondary diploma majoring in law in July 1989; from Peking University (北京大學) in Beijing, the PRC with a college's diploma majoring in law in December 1991; from Correspondence Institute of Party School of the Central Committee of C.P.C (中共中央黨校函授學院) in Beijing, the PRC with a bachelor diploma in politics and laws in December 1997 and from Peking University (北京大學) in Beijing, the PRC with a degree of Bachelor of Laws in January 2004.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

**Ms. Gao Liang** (高靚), aged 47, has been a Director since January 2018. Ms. Gao served as a teacher of The Third People's Police School of Beijing (北京市第三人民警察學校) from July 1993 to July 1994. Ms. Gao successively served as an employee, the manager and the assistant to general manager of Beijing Finance Street Property Management Co., Ltd. (北京金融街物業管理有限責任公司) from July 1994 to December 1995, and the deputy general manager of Jinxiao Real Estate Advisory Co., Ltd. (金曉房地產諮詢有限公司) from January 1996 to March 1998. Ms. Gao served as the manager of Finance Street Construction & Development Co., Ltd. (金融街建設開發有限責任公司) from March 1998 to October 1999, the deputy general manager and deputy managing director of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) from October 1999 to June 2011. Ms. Gao serves as the deputy general manager of Finance Street Investment from July 2011 to July 2014, and has been a director of the company since December 2013. Furthermore, Ms. Gao served as the chairman and general manager of Beijing Finance Street Investment and Management Co., Ltd (北京金融街投資管理有限公司) from December 2011 to July 2014 and the deputy managing director of Beijing Finance Street Capital Management Centre (北京金融街資本運營中心) from March 2012 to July 2014. Ms. Gao is a director of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) since April 2013, and served as the general manager of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) from August 2014 to January 2017, and served as the president of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) since January 2017. Ms. Gao obtained the bachelor's degree in laws from China University of Political Science and Law (中國政法大學) in July 1993, graduated from the Graduate School of Chinese Academy of Social Science (中國社會科學院研究學院) in July 1998, majored in business management, and obtained an executive master of business administration degree from The Hong Kong University of Science and Technology (香港科技大學) in November 2007.

**Ms. Zhou Jianjun** (周建軍), aged 48, has been an independent Director since April 2015. Concurrently, Ms. Zhou has been assuming the position of a chief accountant in Beijing Zhongchuan Xinqu Accounting Firm Company Limited (北京中川鑫聚會計師事務所有限責任公司) since April 2009. Ms. Zhou graduated from Northwest Agriculture University (西北農業大學) (now known as Northwest A&F University (西北農林科技大學)) in Shaanxi, the PRC with a bachelor's degree majoring in soil and plant nutriology in July 1992. Ms. Zhou graduated from Lanzhou University of Finance and Economics (蘭州商學院) in Lanzhou, Gansu Province, the PRC in June 1999 and majored in accounting. Ms. Zhou was qualified as China's certified tax agent and certified public accountant in November 2002 and March 2004, respectively. Ms. Zhou worked in Lanzhou Chemical Industry Company (蘭州化學工業公司, which was merged by absorption by China National Petroleum Lanzhou Petrochemical Corporation (中石油蘭州石油化工公司)) as an accountant and a chief accountant from July 1992 to November 2001. She served as an auditor in Gansu Wulian United Accounting Firm (甘肅五聯聯合會計師事務所) (now known as Gansu branch of Ruihua Accounting Firm (瑞華會計師事務所(特殊普通合伙)甘肅分所)) from November 2001 to September 2004. Then she worked in Ningbo Kexin Accounting Firm (寧波科信會計師事務所有限公司) as a project auditing manager from September 2004 to November 2006. She also worked as a finance manager in Kongchuang (Beijing) Technology Company Limited (控創(北京)科技有限公司), from November 2006 to April 2009.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

**Dr. Lam Sek Kong** (林錫光), aged 58, has been an independent Director since April 2015. Concurrently, Dr. Lam has been an independent non-executive director of APT Satellite Holdings Limited (亞太衛星控股有限公司) (the issued shares of which are listed on the Main Board of the Stock Exchange, stock code: 1045) since July 2007, in which he also served as the chairman of the nomination committee and a member of each of the audit committee and remuneration committee. Dr. Lam is a partner of Messrs. S.K. Lam, Alfred Chan & Co. He has been practicing law in Hong Kong since 1987. Dr. Lam is a member of the Hong Kong Society of Notary Public, a member of the China Appointed Attesting Officers Association in Hong Kong and a member of the Chartered Institute of Arbitrators (UK). Dr. Lam is also admitted as barrister and solicitor of the Supreme Court of Australian Capital Territory, legal practitioner of the Supreme Court of New South Wales and barrister in federal court of Australia. Dr. Lam obtained a bachelor's degree and a master's degree of laws from University of Hong Kong, in Hong Kong, in November 1984 and November 1991, respectively. Dr. Lam also obtained a master's degree in economic law from Peking University (北京大學), in Beijing, the PRC in June 2004 and a Ph. D. degree in civil and commercial law from Tsinghua University (清華大學), in Beijing, the PRC in January 2007.

**Mr. Lv Wendong** (呂文棟), aged 50, has been an independent Director since January 2018. Mr. Lv worked in Taiyuan Science and Technology Committee (太原市科學技術委員會) as a clerk from July 1990 to August 2000. He acted as a clerk of Intellectual Property Affairs Center of Science and Technology Department (科技部知識產權事務中心) from August 2000 to September 2001. He was a professor of School of Insurance and Economics of University of International Business and Economics (對外經濟貿易大學) from May 2006 to November 2009, and he has been the professor of Business School of University of International Business and Economics (對外經濟貿易大學) since December 2009. Mr. Lv graduated from Shanxi University (山西大學) with a bachelor degree in economics in August 1990; graduated from Renmin University of China (中國人民大學) with a master degree in business administration in July 1999; graduated from School of Government, Peking University (北京大學政府管理學院) in June 2004 with a juris doctor degree and graduated from Guanghua School of Management, Peking University (北京大學光華管理學院) with a postdoctoral certificate in business administration in June 2006.

### (II) Supervisors

**Mr. Guo Liwen** (郭力文), aged 57, has been a Supervisor and the chairman of the Supervisory Committee since December 2010. Mr. Guo joined the Company in June 1999 and served as the general manager of coordination development department from June 1999 to October 2008. Mr. Guo served as a director of the Company from October 2008 to November 2011. Mr. Guo graduated from a graduate course of philosophy from Inner Mongolia University (內蒙古大學) in Hohhot, Inner Mongolia, the PRC in July 1984.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

**Ms. Pei Jingjing** (裴晶晶), aged 34, has been a Supervisor since January 2015. She has also been assuming positions of general manager and executive director both in Shanghai Xishida Electronics Ltd. (上海喜仕達電子技術有限公司) and Huijin Jiaye since April 2012 and February 2013, respectively. Ms. Pei graduated from Beihang University (北京航空航天大學) in Beijing, the PRC with a bachelor's degree majoring in economics in July 2007. Ms. Pei is deemed to be interested in 206,182,000 Domestic Shares held by Huijin Jiaye in the Company immediately after the completion of the Global Offering.

**Mr. Wanghui** (王慧), aged 44, has been an employee representative Supervisor since September 2012, a deputy manager of office of the Board from July 2009 to January 2017 and manager of office of the Board since January 2017. Concurrently, he has also been a supervisor of Hengtai Changcai, Hengtai Pioneer, Hengtai Futures, Shanghai Yingwo Investment Management Co, Ltd. (上海盈沃投資管理有限公司), Beijing Hengtai Hongze Investment Co., Ltd. (北京恒泰弘澤投資有限公司), Shanghai Hongdian Investment Management Co., Ltd. (上海泓典投資管理有限公司) and Inner Mongolia Hengtai Shengda Investment Management Co., Ltd. (內蒙古恒泰盛達投資管理有限公司), since October 2012, January 2013, June 2013, July 2013, April 2015, May 2015 and November 2015, respectively. Before joining the Group, Mr. Wang served successively as a deputy chief of staff and deputy director of office of the board in Beijing Huarong Comprehensive Investment Company (北京華融綜合投資公司) from October 2005 to July 2009. Mr. Wang graduated from East China University of Metallurgy (華東冶金學院) in Ma'anshan, An'hui Province, the PRC with a bachelor's degree majoring in ferrous metallurgy in July 1995. He obtained a master's degree majoring in business administration from Beijing Jiaotong University (北京交通大學) in Beijing, the PRC in May 2004.

### (III) Senior Management

**Mr. Niu Zhuang** (牛壯), aged 45, has been the president of the Company since June 2015 and is currently mainly responsible for formulating the Company's corporate and business strategies and making major corporate and operational decisions, being fully responsible for the Company's overall operation and management and execution of the Board resolutions. Mr. Niu served as the chief financial officer and an executive vice president of the Company from February 2004 to September 2012 and from September 2012 to June 2015, respectively. Concurrently, Mr. Niu also has served as the chairman of the board and the legal representative of Inner Mongolia Hengtai Shengda Investment Management Co., Ltd. (內蒙古恒泰盛達投資管理有限公司) and an executive director and the legal representative of Shanghai Yingwo Investment Management Co, Ltd. (上海盈沃投資管理有限公司) from November 2015 and September 2016, respectively. Mr. Niu has served as an executive director and the legal representative of Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司) from December 2015, and the general manager thereof since January 2017. Mr. Niu graduated from Beijing Institute of Fashion Technology (北京服裝學院) in Beijing, the PRC with a bachelor's degree majoring in industrial management engineering in July 1993. He obtained a master's degree majoring in accounting from Renmin University of China (中國人民大學) in Beijing, the PRC in January 2005.



## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

**Mr. Zhang Wei** (張偉), aged 47, has been a vice president, the secretary of the Board and one of the joint company secretaries of the Company since September 2008, November 2011 and March 2015, respectively. He is currently in charge of the president office and the Board office, management of the operation of Hengtai Changcai. Concurrently, Mr. Zhang has been a director in Hengtai Futures and an the legal representative, executive director and general manager in Hengtai Changcai since December 2009 and June 2014, respectively. Mr. Zhang served as the president assistant and a vice president of the Company from August 2002 to November 2006 and from November 2006 to September 2008, respectively. Before joining the Group, Mr. Zhang served as a manager of general management department in China National Heavy Duty Truck Finance Co., Ltd (中國重汽財務有限公司) from July 1994 to May 1999. Mr. Zhang worked in China National Heavy Duty Truck Group Jinan Truck Co., Ltd. (中國重汽集團濟南卡車公司) as a secretary of the Communist Youth League from May 1999 to August 2002. Mr. Zhang graduated from Shandong University (山東大學) in Ji'nan, Shandong Province, the PRC with a bachelor's degree majoring in public finance in July 1994.

**Ms. Yu Fang** (于芳), aged 37, has been the chief risk officer of the Company since April 2014. She is currently in charge of our risk management department and audit department and risk management and internal audit. Concurrently, Ms. Yu also has been a director of New China Fund since August 2015. Ms. Yu was the chief compliance officer of the Company from January 2013 to November 2017. Before joining the Group, Ms. Yu served in New Times Securities Company (新時代證券公司) as the general manager assistant, in charge of legal management department and audit department and a vice president, in charge of legal management department from June 2008 to June 2012 and from June 2012 to December 2012, respectively. Ms. Yu graduated from Hunan University (湖南大學) in Changsha, Hunan Province, the PRC with a bachelor's degree majoring in law in June 2003.

**Ms. Fu Lixin** (付立新), aged 51, has been a vice president of the Company since May 2008. She is currently responsible for the operation of Hengtai Futures. She has also been assuming positions of the chairman of the board and legal representative of Hengtai Futures as well as executive director and legal representative of Hengtai Yingwo Asset Management Co. Ltd since December 2009 and February 2016, respectively. Ms. Fu served as a president assistant of the Company, in charge of brokerage business department, research and e-commerce from October 2003 to May 2008. Before joining the Group, Ms. Fu worked in Fuyou Securities Brokers Co., Ltd (富友證券經紀有限責任公司) as a manager and a vice president from April 1993 to October 2003. Ms. Fu graduated from Tianjin University of Finance and Economics (天津財經大學, formerly known as Tianjin College of Finance and Economics (天津財經學院)) in Tianjin, the PRC with a bachelor's degree majoring in statistics in July 1988. She obtained a master's degree majoring in politics and economics from Harbin Institute of Technology (哈爾濱工業大學) in Harbin, Heilongjiang Province, the PRC in March 1994.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

**Ms. Wu Lihui** (武麗輝), aged 46, has been a vice president of the Company since July 2012. She is currently responsible for the financial market department and supervision of the management of Hengtai Pioneer. Concurrently, Ms. Wu has been assuming positions of an executive director, the legal representative and the general manager in Hengtai Pioneer since January 2013, respectively. Ms. Wu served successively as a director of office of the Board and the assistant to the chairman of the Board of the Company from November 2009 to July 2012 and as an executive director and the legal representative of Beijing Hengtai Hongze Investment Co., Ltd. from April 2015 to January 2018. Before joining the Group, Ms. Wu worked in Guantao Law Firm (觀韜律師事務所) in Beijing as a lawyer and a partner from February 2000 to December 2007. Then she assumed the position of a deputy general manager in Finance Street Xihuan Properties from January 2008 to October 2009. Ms. Wu graduated from China University of Mining and Technology (中國礦業大學) in Xuzhou, Jiangsu Province, the PRC with a bachelor's degree majoring in material management project in July 1993 and obtained a master's degree majoring in civil law from Heilongjiang University (黑龍江大學) in Harbin, Heilongjiang Province, the PRC in July 1996.

**Mr. Zhao Peiwu** (趙培武), aged 53, has been a vice president of the Company since September 2009. He is currently responsible for the management of the brokerage business department and supervision of the operation of the Changchun branch office, and all of the securities branches as well as the asset custody department and institutional investment consultant department. Mr. Zhao consecutively served as a deputy director of operating department of the Company from October 1988 to September 1989, the general manager of the sales department from April 1993 to April 2000, a director of president office from April 2000 to January 2004, a manager of brokerage department from January 2004 to March 2008 and an assistant to the president of the Company from March 2008 to September 2009, respectively. Mr. Zhao also served in Hengtai Changcai as the general manager from September 2009 to July 2011 and from July 2013 to June 2014. He also acted as an executive director and the legal representative for Hengtai Changcai from July 2011 to June 2014. Mr. Zhao finished his three-year financial courses in Shanxi Institute of Finance and Economics (陝西財經學院) (now known as Schools of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院)) in Xi'an, Shaanxi Province, the PRC in July 1994. Mr. Zhao graduated from The Open University of China (中央廣播電視大學) in Beijing, the PRC with a bachelor's degree (part-time) majoring in finance in December 2012.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

**Mr. Huang Weiguo** (黃偉國), aged 40, has been a vice president of the Company since December 2015. He is currently responsible for the management of Shanghai Hongdian Investment Management Co., Ltd. (上海泓典投資管理有限公司), and he served as an executive director and legal representative of Shanghai Hongdian Investment Management Co. Ltd. since April 2015. Before joining the Group, Mr. Huang worked in the head office of investment banking of Guosen Securities, the head office of investment banking of Industrial Securities and the head office of investment banking of Pacific Securities from December 2000 to August 2006, August 2006 to March 2007 and March 2007 to July 2010, respectively. He served as the deputy general manager and the secretary to the board of Shanghai Kanda Biotechnology Co., Ltd. (上海康岱生物技術股份有限公司) from July 2010 to May 2012 and as the deputy general manager and the secretary to the board of Wuxi Lihu Corporation Limited (無錫蠡湖增壓技術股份有限公司) from May 2012 to October 2014. Then he served as the president of Jinduo (Shanghai) Asset Management Co., Ltd. (晉多(上海)資產管理有限公司) from October 2014 to April 2015. Mr. Huang graduated from the School of Finance of Central University of Finance and Economics with a bachelor's degree majoring in international finance in June 1998. Mr. Huang graduated from finance department of Shanghai University of Finance and Economics with a master's degree majoring in currency banking in July 2003.

**Mr. Liu Quansheng** (劉全勝), aged 42, has been a vice president of the Company since 31 May 2016. He heads our internet finance department and institutional trading department. Mr. Liu served as an assistant in the computer department and manager of the securities service department of the Company from July 1999 to February 2003 and from February 2003 to March 2004, respectively. Mr. Liu served as the assistant to general manager of brokerage business department from March 2004 to March 2006, assistant to general manager of Baotou Gangtie Street Securities Branch (包頭鋼鐵大街營業部) from March 2006 to September 2007, general manager of Linhe District Shengli North Road Securities Branch(臨河勝利北路營業部) from September 2007 to September 2009, general manager and assistant to president of brokerage business management head office from September 2009 to December 2011 and from December 2011 to May 2016, respectively, and executive Director and legal representative of Beijing Hengtai Puhui Information Service Co., Ltd. (北京恒泰普惠信息服務有限公司) from April 2015 to June 2017. Mr. Liu graduated from Inner Mongolia University with a bachelor's degree, majoring in computational mathematics and application software in July 1999.

**Ms. Yang Shufei** (楊淑飛), aged 44, has been the chief financial officer of the Company since 11 October 2016. Ms. Yang has concurrently served as the chairman of the Supervisor Committee of New China Fund and a supervisor of Hengtai Capital since February 2017 and October 2017, respectively. Before joining the Group, Ms. Yang served as a staff member of the management department and fund department of Aerospace Trust Investment Co., Ltd. (航天信託投資有限責任公司) from July 1995 to September 2001. After then, Ms. Yang worked in CASIC Finance Co., Ltd. (航天科工財務有限責任公司) and served as a staff member of the investment department from October 2001 to September 2002, the manager of the clearing department from October 2002 to March 2005, the manager of the risk management department from April 2005 to June 2008 and chief accountant, general counsel, board secretary and vice president consecutively during the period from July 2008 to November 2015. From November 2015 to June 2016, Ms. Yang served as the chief financial officer of Huahao Xinlian (Beijing) Kemao Co., Ltd. (華浩信聯(北京)科貿有限公司). Ms. Yang graduated from Renmin University of China with a bachelor degree in international finance in July 1995 and obtained a master degree in economics from Peking University in November 2005 and an executive master degree of business administration from Tsinghua University in July 2010.

## IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### (I) Changes in Directors

1. On 22 November 2017, Mr. Chen Guanglei resigned as a non-executive Director and a member of the Remuneration and Nomination Committee of the Company with effect from 22 November 2017 due to focus on his personal career development.
2. On 22 December 2017, the members of the fourth session of the Board of Directors were elected at the 2017 first extraordinary general meeting of the Company. Mr. Peng Diyun has retired as an independent non-executive Director and the chairman of the Remuneration and Nomination Committee with effect from 22 December 2017. On the same day, Ms. Zhou Jianjun was appointed as the chairman of Remuneration and Nomination Committee.
3. On 22 December 2017, the election of Ms. Dong Hong as a non-executive Director of the fourth session of the Board of Directors was considered and approved at the 2017 first extraordinary general meeting of the Company. However, the qualification of Ms. Dong Hong as a Director was then still subject to the approval of relevant governmental authorities of the PRC. On 5 January 2018, the Inner Mongolia Securities Regulatory Bureau of CSRC issued the Approval on Qualification of Dong Hong as a Director of Securities Company (Nei Zheng Jian Xu Ke [2018] No. 1) (《關於董紅證券公司董事任職資格的批覆》(內證監許可[2018]1號)), pursuant to which, Ms. Dong Hong's qualification as a director of securities company was approved. Thus, the appointment of Ms. Dong Hong as a non-executive Director of the fourth session of the Board of Directors has become effective from 5 January 2018.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

4. On 22 December 2017, the election of Mr. Lv Wendong as an independent non-executive Director of the fourth session of the Board of Directors was considered and approved at the 2017 first extraordinary general meeting of the Company. However, the qualification of Mr. Lv Wendong as a Director was then still subject to the approval of relevant governmental authorities of the PRC. On 5 January 2018, the Inner Mongolia Securities Regulatory Bureau of the CSRC issued the Approval on Qualification of Lv Wendong as an Independent Director of Securities Company (Nei Zheng Jian Xu Ke [2018] No. 2) (《關於核准呂文棟證券公司獨立董事任職資格的批覆》(內證監許可[2018]2號)), pursuant to which, Mr. Lv Wendong's qualification as an independent director of securities company was approved. Thus, the appointment of Mr. Lv Wendong as an independent non-executive Director of the fourth session of the Board of Directors has become effective from 5 January 2018.
5. On 22 December 2017, the election of Ms. Gao Liang as a non-executive Director of the fourth session of the Board of Directors was considered and approved at the 2017 first extraordinary general meeting of the Company. However, the qualification of Ms. Gao Liang as a Director was then still subject to the approval of relevant governmental authorities of the PRC. On 31 January 2018, the Inner Mongolia Securities Regulatory Bureau of the CSRC issued the Approval on Qualification of Gao Liang as a Director of Securities Company (Nei Zheng Jian Xu Ke [2018] No. 4) (《關於高靚證券公司董事任職資格的批覆》(內證監許可[2018]4號)), pursuant to which, Ms. Gao Liang's qualification as a director of securities company was approved. Thus, the appointment of Ms. Gao Liang as a non-executive Director of the fourth session of the Board of Directors has become effective from 31 January 2018.

### (II) Changes in Supervisors

None in the Reporting Period.

### (III) Changes in Senior Management

On 2 November 2017, the 52<sup>nd</sup> extraordinary meeting of the third session of the Board of Directors was held, at which the resolution on the resignation of Ms. Yu Fang as chief compliance officer of the Company was considered and approved. Ms. Yu Fang requested to resign from the position of chief compliance officer given that Ms. Yu Fang failed to meet the requirement of ten years' work experience in securities or fund business under the Administrative Measures on Compliance of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》), which was promulgated by the CSRC and came into force from 1 October 2017. Following her resignation as chief compliance officer of the Company, Ms. Yu Fang remains as the chief risk officer of the Company, and Mr. Pang Jiemin, the Chairman of the Board and executive Director, acts as the chief compliance officer of the Company which shall last for a period of not more than six months.

## V. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

The remuneration of the Directors shall be proposed by the Remuneration and Nomination Committee for consideration and approval by the Board, then submitted to general meeting for approval; the remuneration of the Supervisors shall be reviewed and approved by the general meeting; and the remuneration of the senior management of the Company shall be proposed by the Remuneration and Nomination Committee to the Board for approval.

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

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

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

Payment of more than 40% of annual performance-based remuneration for full-time Directors, Chairman of the Supervisory Committee and senior management of the Company shall be deferred for a period of at least three years. The deferred payment of remuneration shall be divided equally. The specific proportion of deferred payment and the period of deferred payment shall be reviewed and determined by the Board. The Board will formulate and implement the specific plan for deferred payment of annual performance-based remuneration of business managers according to the requirements of these measures on an annual basis. The Company does not pay non-cash compensation.

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

During the Reporting Period, save as Ms. Pei Jingjing (裴晶晶), none of the Directors, Supervisors and senior management of the Company held any shares, share options or restricted shares of the Company.

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

For remuneration payment of the Directors, Supervisors and senior management, please refer to “I. Basic Information About Incumbent Directors, Supervisors and Senior Management and those leaving office during the Reporting Period” in this section. Total remuneration for the Directors, Supervisors and senior management of the Company in 2017 is RMB52,722 thousand. The remuneration of the Directors and Supervisors is set out in Note 19 to the consolidated financial statements of the report.

Remuneration of the five highest paid individuals of the Company are set out in Note 20 to the consolidated financial statements of this report.

## **VI. DETAILS AND REMUNERATION OF STAFF**

### **(I) Number and Composition of Employees**

As at the end of the Reporting Period, the Group had 2,090 employees in total, including 1,565 employed by the Company and 525 employed by its subsidiaries, the structure of which is as below:

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

Age	The Group		The Company	
	Number	Percentage	Number	Percentage
Under 30	712	34.07%	500	31.95%
31-40	823	39.38%	605	38.66%
Above 41	555	26.56%	460	29.39%
Total	2,090	100.00%	1,565	100%

Specialty Structure	Number	Percentage	Number	Percentage
Brokerage	1,052	50.33%	1,010	64.54%
Asset management	122	5.84%	47	3.00%
Proprietary trading	19	0.91%	19	1.21%
Investment banking	205	9.81%	81	5.18%
Compliance, risk control and audit	86	4.11%	59	3.77%
Research	28	1.34%	1	0.06%
Planning and accounting	41	1.96%	20	1.28%
Information technology	96	4.59%	76	4.86%
Transaction settlement	52	2.49%	5	0.32%
Administration	75	3.59%	17	1.09%
Other business	314	15.02%	230	14.69%
Total	2,090	100.00%	1,565	100%

Educational background	Number	Percentage	Number	Percentage
Postgraduate or above	478	22.87%	230	14.69%
College graduate	1,365	65.31%	1,133	72.40%
Junior college graduate or below	247	11.82%	202	12.91%
Total	2,090	100.00%	1,565	100%

### (II) Remuneration of Employees

The remuneration of employees comprises of basic wage, allowances, benefits and others. The Company has made contributions to, among others, social insurance and housing provident fund on behalf of its employees in accordance with relevant requirements of the PRC. The Company has strictly complied with the Labor Law of the PRC, Labor Contract Law of the PRC and other applicable laws and regulations, and have a sound human resources management system and process in place to regulate its employment procedures, so as to effectively protect the rights and interests of the employees.



## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### (III) Staff Training Plans

The Company highly values staff training. At the beginning of the year, the Company made surveys and analysis in respect of staff training by issuing Training Questionnaire for 2017 and, based on the information so collected, prepared the 2017 Training Plan of Hengtai Securities Co., Ltd through summarization, statistics and analysis.

During the Reporting Period, the Company organized large-scale training activities including 3 sessions of special training for back-ups fro brokerage business, 3 sessions of induction training for new recruits, 2 sessions of training for officers in charge of transformation of newly established securities branches and securities branches and 1 session of training for information technology project management and 1 session of training for corporate culture training.

According to the requirements of the Securities Association of China, the Company has made applications for follow-up trainings on behalf of all current in-house practitioners who have qualification certificates to engage in securities business, funds or futures intermediary business. In addition, the Company has made applications on behalf of its senior management and all departments for participating in 61 training sessions organized by the Securities Association of China, the Shanghai Stock Exchange and other external training institutions, covering 112 trainees.

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

As at the end of the Reporting Period, the securities branches of the Company had 1,341 brokers, designated to the teams of each securities branch and directly managed by the wealth management center of the securities branches. The securities practitioner qualifications of the brokers were under centralized management of the human resources department of the Company. Upon signing the entrustment contracts, the brokers will receive pre-job training provided by relevant securities branches and follow-up training provided by the Company. The Company's management of its in-house brokers has complied with the relevant laws, regulations of the PRC and the wealth management system of the Company. Brokers could introduce the general information of the Company and the securities market; the basic information of securities investment, and business processes such as account opening, trading, fund deposit and withdrawal; laws and regulations relating to securities trading, relevant provisions of the CSRC, self-regulatory rules and relevant regulations of the Company to the customers; and deliver a research report to the customers provided by the Company and information related to securities investments. During the Reporting Period, there were no complaints or disputes with respect to the brokers with the customers.

# Section 10 Corporate Governance Report

## I. OVERVIEW OF CORPORATE GOVERNANCE

### (I) Basic Information on Corporate Governance

During the Reporting Period, the Company operated in strict compliance with requirements of laws, regulations and regulatory documents of the PRC and jurisdictions where the Company's shares are listed, including the Company Law of the PRC, the Securities Law of the PRC, the Regulations on the Supervision and Administration of Securities Companies, the Corporate Governance Rules for Securities Companies and the Corporate Governance Code, to continuously improve the corporate governance level. The Company has further optimised its rules and systems and constantly improved its corporate governance structure.

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

### (II) Corporate Governance Policies and the Board's Responsibilities on Corporate Governance

The Company strictly complied with the Corporate Governance Code and all applicable provisions under the Corporate Governance Code, and satisfied substantially all of the recommended best practices under the Corporate Governance Code. In respect of the corporate governance, the responsibilities of the Board shall include:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
5. to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the Reporting Period, the Board had performed the aforementioned responsibilities and reviewed the Corporate Governance Report contained in this report prior to the publication of this report, and is of the view that the content of this section is in line with the relevant requirements under the Listing Rules.

## Section 10 Corporate Governance Report (Continued)

### II. SHAREHOLDERS AND GENERAL MEETINGS

#### (I) Rights of General Meetings and Shareholders

The Articles of Association and the Rules of Procedure for General Meetings have stipulated the rights and obligations of the shareholders, the authority of general meetings, and the convocation, voting and decision-making of general meetings. The general meeting is the supreme authority of the Company.

#### (II) General Meetings

During the Reporting Period, the Company convened 2 general meetings in total, the details of which are set out as follows:

1. On 16 June 2017, the 2016 annual general meeting of the Company was held, at which the resolutions in relation to the following matters were considered and approved: Report of the Board of Directors for the year 2016, Report of the Supervisory Committee for the year 2016, Annual Report of the Company for the year 2016, Profit Distribution Plan for the year 2016, Final Accounts Report for the year 2016, Re-appointment of Domestic Auditor for the year 2017, Re-appointment of International Auditor for the year 2017, Proposed Appointment of a Non-executive Director, Proposed Amendments to the Articles of Association and Proposed Issue of Subordinated Corporate Bonds.
2. On 22 December 2017, the 2017 first extraordinary general meeting of the Company was held, at which the resolutions in relation to the following matters were considered and approved: Change of the Use of Proceeds of the Company, Election of Mr. Pang Jiemin as an Executive Director of the Fourth Session of the Board of Directors of the Company, Election of Mr. Wu Yigang as an Executive Director of the Fourth Session of the Board of Directors of the Company, Election of Mr. Zhang Tao as a Non-executive Director of the Fourth Session of the Board of Directors of the Company, Election of Ms. Gao Liang as a Non-executive Director of the Fourth Session of the Board of Directors of the Company, Election of Mr. Sun Chao as a Non-executive Director of the Fourth Session of the Board of Directors of the Company, Election of Mr. Lv Wendong as an Independent Non-executive Director of the Fourth Session of the Board of Directors of the Company, Election of Ms. Zhou Jianjun as an Independent Non-executive Director of the Fourth Session of the Board of Directors of the Company, Election of Dr. Lam Sek Kong as an Independent Non-executive Director of the Fourth Session of the Board of Directors of the Company, Election of Ms. Dong Hong as a Non-executive Director of the Fourth Session of the Board of Directors of the Company, Election of Mr. Guo Liwen as the Shareholder Representative Supervisor of the Fourth Session of the Board of Supervisors of the Company, Election of Ms. Pei Jingjing as the Shareholder Representative Supervisor of the Fourth Session of the Board of Supervisors of the Company, Allowance of Directors of the Fourth Session of Board of Directors and Supervisors of the Fourth Session of the Board of Supervisors of the Company and Proposed Amendments to the Articles of Association.

## Section 10 Corporate Governance Report (Continued)

### III. BOARD OF DIRECTORS AND PERFORMANCE OF DUTIES

#### (I) Duties of the Board and the Management

##### Duties of the Board

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

##### Duties of the management

The main duties of the management include organising and implementing the Board's resolutions and to report to the Board; organising and implementing the annual operation plan and investment plan of the Company; preparing plans for the establishment of the Company's internal management organizations; developing the Company's basic management system and specific rules; deciding to appoint or remove executives other than those appointed or removed by the Board; and performing such other duties and powers as authorised by the Board.

#### (II) Composition of the Board

Directors shall be elected or replaced at general meetings. A Director shall serve a term of three years from the date of the resolution passed at general meeting, and may seek re-election upon expiry of the said term. Currently, the Board consists of nine Directors, including two executive Directors (Mr. Pang Jiemin (龐介民) (Chairman) and Mr. Wu Yigang (吳誼剛) (Vice Chairman)), four non-executive Directors (Mr. Zhang Tao (張濤), Mr. Sun Chao (孫超), Ms. Dong Hong (董紅) and Ms. Gao Liang (高靚)) and three independent non-executive Directors (Ms. Zhou Jianjun (周建軍), Dr. Lam Sek Kong (林錫光) and Mr. Lv Wendong (呂文棟)).

## Section 10 Corporate Governance Report (Continued)

From 1 January 2017 to 22 December 2017, the Board has complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (the number of which represented at least one-third of the Board) with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. However, after Mr. Peng Diyun's retirement from independent non-executive Director of the third session of the Board with effect from 22 December 2017, the number of independent non-executive Directors fell below the number required under Rule 3.10(1) of the Listing Rules. The appointment of Mr. Lv Wendong as an independent non-executive Director of the fourth session of the Board was approved by the shareholders at the 2017 first extraordinary general meeting of the Company held on the same day of Mr. Peng Diyun's retirement subject to the approval of relevant governmental authorities of the PRC. On 5 January 2018, the Inner Mongolia Securities Regulatory Bureau of the China Securities Regulatory Commission issued the Approval on Qualification of Lv Wendong as an Independent Director of Securities Company (Nei Zheng Jian Xu Ke [2018] No. 2) (《關於核准呂文棟證券公司獨立董事任職資格的批覆》(內證監許可[2018]2號)), pursuant to which, Mr. Lv Wendong's qualification as an independent director of securities company was approved. Thus, the appointment of Mr. Lv Wendong as an independent non-executive Director of the fourth session of the Board of Directors has become effective from 5 January 2018. Following the appointment of Mr. Lv Wendong as the independent non-executive Director, the number of independent non-executive director as required under Rule 3.10(1) of the Listing Rules has been fulfilled.

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

### (III) Meetings of the Board

The Board convenes meetings on a regular basis and at least four Board meetings is held each year. All Directors will be given a notice at least 14 days prior to every regular Board meeting or within an appropriate time period prior to any other special Board meeting, and they can add new matters to be discussed to the agenda. The agenda and enclosed documents relating to a Board meeting will be sent to all Directors at least three days before the proposed date of the Board meeting. Each Director shall be entitled to access to documents relating to Board meetings and other relevant documents and to receive advices and services provided by the company secretary. The Directors may also seek independent professional opinions. The minutes shall be kept by the Company. After conclusion of a Board meeting, the initial and finalised minutes shall be sent to all the Directors in due time, with the initial ones to be commented on by the Directors and the finalised ones for their record.

## Section 10 Corporate Governance Report (Continued)

During the Reporting Period, the Board convened 16 meetings, the details of which are set out as follows:

1. On 13 March 2017, the 44th extraordinary meeting of the third session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: 2017 Annual Risk Preference Strategy of the Company, Work Plan for Implementation of Risk Management Requirements of the Company, Authorisation to the Management by the Board of Directors to Establish an Assessment Team for Assessing the Effectiveness of the Compliance Management of the Company, Work Report of the Strategic and Investment Committee of the Board of Directors for the year 2016, Work Report of the Risk Control and Supervisory Committee of the Board of Directors for the year 2016, Work Report of the the Audit Committee of the Board of Directors for the year 2016, Work Report of the Remuneration and Nomination Committee of the Board of Directors for the year 2016.
2. On 22 March 2017, the 45th extraordinary meeting of the third session of the Board was held, at which the resolutions in relation to the Plan for Provision of Bonus for Staff for 2016, the Plan for Provision of Bonus for Senior Management for 2016 and Plan for Bonus Distribution of Senior Management for 2016.
3. On 24 March 2017, the 6th meeting of the third session of the Board was held, at which the following resolutions were considered and approved: the 2016 Annual Work Report of the Management, the 2016 Annual Report of the Board, the 2016 Annual Work Report of the Independent Directors of the Company, the Approval of the Annual Results Announcement of the Company for the year ended 31 December 2016, the 2016 Annual Report of the Company, the 2016 Self-Assessment Report of Internal Controls of the Company, the 2016 Profit Distribution Plan of the Company, the 2016 Annual Compliance Report of the Company, the 2016 Risk Management Report of the Company, the Payment of External Auditors' Service Fees for 2016, the 2016 Annual Final Accounting Report of the Company, the 2017 Annual Budget Proposal of the Company, the 2017 Annual Business Plan of the Company, the 2017 Work Plan for Auditing Projects of the Company and the Convening of the 2016 Annual General Meeting of the Company.
4. On 24 April 2017, the 46th extraordinary meeting of the third session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: Re-appointment of Domestic Auditor for the year 2017, Re-appointment of International Auditor for the year 2017, Issue of Subordinated Corporate Bonds, Amendments to the Articles of Association, Nomination of Ms. Gao Liang as a Candidate for Non-executive Director of the Third Session of the Board of Directors, Approval of Submission of Relevant Resolutions to 2016 Annual General Meeting for Consideration.

## Section 10 Corporate Governance Report (Continued)

5. On 9 June 2017, the 47th extraordinary meeting of the third session of the Board was held, at which the resolutions in relation to the Work Plan for Targeted Poverty Alleviation of the Company in 2017, Work Plan and Budget for Pair-up Poverty Alleviation of Hengtai Changcai (a subsidiary of the Company) in 2017, Amendments to the Measures for All-Round Risk Management of Hengtai Securities Co., Ltd were considered and approved.
6. On 7 July 2017, the 48th extraordinary meeting of the third session of the Board was held, at which the resolution in relation to 2016 Environmental, Social and Governance Report was considered and approved.
7. On 17 July 2017, the 49th extraordinary meeting of the third session of the Board was held, at which the resolution in relation to the Third Round of Capital Contribution to New China Fushi Asset Management Co., Ltd. (新華富時資產管理有限公司) by New China Fund Management Co., Ltd. (a controlled subsidiary of the Company) was considered and approved.
8. On 25 August 2017, the 7th meeting of the third session of the Board was held, at which the resolutions in relation to the Interim Results Announcement of the Company for the Six Months Ended 30 June 2017, the 2017 Interim Report of the Company and the 2017 Interim Compliance Report of the Company were considered and approved.
9. On 12 September 2017, the 50th extraordinary meeting of the third session of the Board was held, at which the resolution in relation to the Entering Into of the Supplemental Agreement II to the Office Complex Purchase Agreement in relation to Land Lot B of the Financial Street Guangan Center was considered and approved.
10. On 12 October 2017, the 51st extraordinary meeting of the third session of the Board was held, at which the resolution in relation to Election of Chairman of the Risk Control and Supervisory Committee and Members of the Remuneration and Nomination Committee of the Board of Directors was considered and approved.
11. On 2 November 2017, the 52nd extraordinary meeting of the third session of the Board was held, at which the resolutions in relation to the Application for Use of RMB2 million out of the Budgeted Funds for Poverty Alleviation, the Application for Addition to the Budgeted Funds for Poverty Alleviation for 2017 and the Resignation of Ms. Yu Fang as Chief Compliance Officer were considered and approved.

## Section 10 Corporate Governance Report (Continued)

12. On 3 November 2017, the 53rd extraordinary meeting of the third session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: Disposal of Certain Properties of the Company, Authorization to Handle Matters Relating to Disposal of Properties, Change of Use of Proceeds of the Company, Nomination of Candidates for Directors of the Fourth session of the Board of Directors, Allowance of Members of the Fourth Session of Board of Directors and Members of the Fourth Session of the Supervisory Committee, Amendments to the Articles of Association and Convening of the 2017 First Extraordinary General Meeting of the Company.
13. On 6 December 2017, the 54th extraordinary meeting of the third session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: Establishment of 15 C-type Brokerage Branches in Shenzhen and Other Cities by the Company, Amendments to the Measures on Compliance Management, Implementation of Measures on Compliance Management for Securities Companies and Measures for All-round Risk Management for Securities Companies and Strengthening Compliance and Risk Management, Nomination of Ms. Dong Hong as Candidate for Non-executive Director of the Fourth Session of the Board of Directors, and Approval of Submission of the Resolution in relation to the Nomination of Ms. Dong Hong as Candidate for Non-executive Director of the Fourth Session of the Board of Directors to 2017 First Extraordinary General Meeting of the Company for Consideration.
14. On 15 December 2017, the 55th extraordinary meeting of the third session of the Board was held, at which the resolution in relation to Withdrawal of Resolutions No. 1 and 2 to be Proposed at 2017 First Extraordinary General Meeting of the Company was considered and approved.
15. On 20 December 2017, the 56th extraordinary meeting of the third session of the Board was held, at which the resolution in relation to Recommendations on 2017 Senior Management Performance Appraisal was considered and approved.
16. On 22 December 2017, the first meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: Election of Pang Jiemin as the Chairman of the Board of Directors, Election of Wu Yigang as the Vice Chairman of the Board of Directors, Election of Members of the Special Committees of the Board of Directors, Appointment of Niu Zhuang as the President of the Company, Appointment of Zhang Wei as the Secretary to the Board of Directors, Appointment of Yu Fang as Chief Risk Officer of the Company and Appointment of Other Senior Members of the Company.

### **(IV) Objections from Independent Non-executive Directors to Relevant Issues of the Company**

None in the Reporting Period



## Section 10 Corporate Governance Report (Continued)

### (V) Attendances of Directors at Board Meetings and General Meetings during Their Terms of Office for the Reporting Period

Name	Position	Attendance at Board meetings					Attendance at general meetings		Remark
		Number of Required attendances at Board meetings	Number of attendances in person	Number of attendances by proxy	Number of absences	Voting results	Number of Required attendances at general meetings	Number of attendances at general meetings	
Pang Jiemin (龐介民)	Executive Director	16	16	0	0	All agreed	2	2	
Wu Yigang (吳詒剛)	Executive Director	16	16	0	0	All agreed except for one dissenting vote	2	2	Voted against the resolution in relation to Plan for Bonus Distribution of Senior Management of the Company for 2016 at the 45th extraordinary meeting of the third session of the Board
Zhang Tao (張濤)	Non-executive Director	16	16	0	0	All agreed	2	2	
Chen Guanglei (陳廣壘)	Non-executive Director	12	12	0	0	All agreed	1	1	Resigned on 22 November 2017
Sun Chao (孫超)	Non-executive Director	16	16	0	0	All agreed	2	2	
Peng Diyun (彭迪雲)	Independent non-executive Director	15	15	0	0	All agreed	2	2	Retired on 22 December 2017
Zhou Jianjun (周建軍)	Independent non-executive Director	16	16	0	0	All agreed	2	2	
Lam Sek Kong (林錫光)	Independent non-executive Director	16	16	0	0	All agreed	2	2	

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

## Section 10 Corporate Governance Report (Continued)

### (VI) Trainings for Directors

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

The Company attached great importance to the continuous training for the Directors and Supervisors and all of the Directors and Supervisors received the training on connected transactions and inside information of companies listed in Hong Kong on 12 April 2017. During the Reporting Period, Directors proactively participated in and completed the Director Training Programme 2017 launched by the Hong Kong Stock Exchange. During the Reporting Period, Directors and Supervisors proactively participated in trainings and seminars organized by the regulatory authorities and the industrial associations so as to improve their capabilities to fulfill their duties. Details of the trainings are as follows:

Name	Position	Training content
Pang Jiemin	Chairman, and Executive Director	Attended the 43rd seminar on the "Enhanced Continuing Professional Development" (ECPD Seminar) sponsored by The Hong Kong Institute of Chartered Secretaries (香港特許秘書公會) on 24 May 2017
Zhang Tao	Non-executive Director	Attended public companies trainings organized by China Association for Public Companies (中國上市公司協會) on 13 September 2017
Zhou Jianjun	Independent non-executive Director	Attended follow-up trainings for certified public accountants sponsored by Beijing Institute of Certified Public Accountants (北京註冊會計師協會) in October 2017 Attended the follow-up training for certified tax agents sponsored by Beijing Certified Tax Agents Association (北京註冊稅務師協會) in November 2017
Lv Wendong	Independent non-executive Director	Attended the seminar on FinTech development trends and policy sponsored by the Ministry of Science and Technology of the PRC (國家科學技術部) on 16 October 2017

## IV. SPECIAL COMMITTEES OF THE BOARD AND DUTY PERFORMANCE

The Board has four special committees, namely, Strategy and Investment Committee, Risk Control and Supervisory Committee, Audit Committee and Remuneration and Nomination Committee. The special committees of the Board shall, within their terms of reference specified in their respective rules of procedures, perform their duties and be accountable to the Board.

## Section 10 Corporate Governance Report (Continued)

### Composition of Committees:

Strategy and Investment Committee:	Pang Jiemin (Chairman of the Committee, executive Director), Sun Chao (non-executive Director) and Lam Sek Kong (independent non-executive Director)
Risk Control and Supervisory Committee:	Pang Jiemin (Chairman of the Committee, executive Director), Zhang Tao (non-executive Director) and Wu Yigang (executive Director)
Audit Committee:	Zhou Jianjun (Chairman of the Committee, independent non-executive Director), Zhang Tao (non-executive Director) and Lam Sek Kong (independent non-executive Director)
Remuneration and Nomination Committee:	Zhou Jianjun (Chairman of the Committee, independent non-executive Director), Pang Jiemin (executive Director) and Lam Sek Kong (independent non-executive Director)

### (I) Strategy and Investment Committee

#### 1. Duties of the Committee

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

#### 2. Meetings of the Committee

During the Reporting Period, 1 meeting was convened by the Strategy and Investment Committee, particulars of which are as follows:

On 31 October 2017, the Strategy and Investment Committee of the third session of the Board held the first meeting in 2017, at which the resolution in relation to the Disposal of Some Properties of the Company was considered and approved and submitted to the Board for consideration.

## Section 10 Corporate Governance Report (Continued)

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

### (II) Risk Control and Supervisory Committee

#### 1. Duties of the Committee

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

#### 2. Meetings of the Committee

During the Reporting Period, 5 meetings were held by the Risk Control and Supervisory Committee, particulars of which are as follows:

## Section 10 Corporate Governance Report (Continued)

On 23 January 2017, the Risk Control and Supervisory Committee of the third session of the Board held the first meeting in 2017, at which the resolution in relation to Decision on Punishment for Senior Management Responsible for On-spot Inspection Penalty by CSRC was considered and approved.

On 20 March 2017, the Risk Control and Supervisory Committee of the third session of the Board held the second meeting in 2017, at which the resolutions in relation to the 2016 Compliance Report of the Company, the 2016 Risk Management Report of the Company, the 2016 Self-assessment Report of Internal Control of the Company and the 2016 Special Report of the Company on Net Capital and Other Risk Management Indicators were considered and approved and submitted to the Board for consideration.

On 22 August 2017, the Risk Control and Supervisory Committee of the third session of the Board held the third meeting in 2017, at which the resolutions in relation to the 2017 Interim Compliance Report of the Company and the Special Report of the Company on Net Capital and Other Risk Management Indicators for the first half of 2017 were considered and approved and submitted to the Board for consideration.

On 8 November 2017, the Risk Control and Supervisory Committee of the third session of the Board held the fourth meeting in 2017, at which the resolution in relation to Implementation of the Measures on Compliance Management of Securities Companies and the Measures for All-round Risk Management of Securities Companies and Enhancement of Compliance and Risk Management was considered and approved and submitted to the Board for consideration.

On 22 December 2017, the Risk Control and Supervisory Committee of the fourth session of the Board held the first meeting in 2017, at which they heard the 2017 work reports of the Compliance Department, Risk Management Department and Audit Department and issued appraisal opinions to the above three departments.

<b>Name of member</b>	<b>Number of required attendances</b>	<b>Number of actual attendances</b>
Pang Jiemin (龐介民) <sup>1</sup>	2	2
Zhang Tao (張濤)	5	5
Wu Yigang (吳誼剛)	5	5

*Note 1:* On 12 October 2017, upon the approval of 51th extraordinary meeting of the third session of the Board, Mr. Pang Jiemin was appointed as the chairman and a member of the Risk Control and Supervisory Committee of the third session of the Board.

## Section 10 Corporate Governance Report (Continued)

### (III) Audit Committee

#### 1. Duties of the Committee

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

#### 2. Meetings of the Committee

During the Reporting Period, 4 meetings were held by the Audit Committee, particulars of which are as follows:

On 20 March 2017, the Audit Committee of the third session of the Board held the first meeting in 2017, at which the resolutions in relation to the Payment of Auditors' Fees for 2016, the 2017 Work Plan for Audit Projects of the Company, the 2016 Self-assessment Report of Internal Control of the Company, the Annual Results Announcement of the Company for the Year Ended 31 December 2016 and the 2016 Risk Management Report of the Company, were considered and approved and submitted to the Board for consideration.

## Section 10 Corporate Governance Report (Continued)

On 17 April 2017, the Audit Committee of the third session of the Board held the second meeting in 2017, at which the resolutions in relation to the Re-appointment of Domestic Auditor for the Year 2017 and the Re-appointment of International Auditor for the Year 2017 were considered and approved and submitted to the Board for consideration.

On 22 August 2017, the Audit Committee of the third session of the Board held the third meeting in 2017, at which the resolutions in relation to the Interim Results Announcement of the Company for the Six Months Ended 30 June 2017 and the 2017 Interim Report of the Company were considered and approved and submitted to the Board for consideration.

On 22 December 2017, the Audit Committee of the fourth session of the Board held the first meeting in 2017, at which the resolution in relation to the Election of Zhou Jianjun as the Chairman of the Audit Committee of the Fourth Session of the Board was considered and approved.

<b>Name of member</b>	<b>Number of required attendances</b>	<b>Number of actual attendances</b>
Zhou Jianjun (周建軍)	4	4
Zhang Tao (張濤)	4	4
Lam Sek Kong (林錫光)	4	4

### (IV) Remuneration and Nomination Committee

#### 1. Duties of the Committee

The main duties and responsibilities of the Remuneration and Nomination Committee include: considering appropriate remuneration policy, performance measuring system, and rewards and punishments incentives for the Company in accordance with the features of the securities industry, the responsibilities and importance of Directors and senior management officers, and comparing with the remuneration level of relevant companies, making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, and making recommendations on any proposed changes to be made to the Board to complement the Company's corporate strategy; reviewing and approving the remuneration proposals of Directors and senior management officers in accordance with the Company's development strategy and goal set by the Board; reviewing the selection criteria and procedures of the Directors, senior management officers of the Company, and making recommendations to the Board; identifying candidates with suitable qualifications to become Board members, senior management

## Section 10 Corporate Governance Report (Continued)

officers of the Company in an extensive manner, and selecting and nominating relevant candidates for Directors and senior management officers or making recommendations to the Board in this regard; assessing and making recommendations on the candidates of Directors and senior management officers, assessing the independence of independent non-executive Directors; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (especially Chairman of the Board and the president); ensuring that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration; other duties as authorised by the Board of the Company. For specific duties and responsibilities of the Remuneration and Nomination Committee, please refer to Rules of Procedure for the Remuneration and Nomination Committee of the Board of Directors of Hengtai Securities Co., Ltd, which has been published on the Company's website and the HKExnews website.

### 2. Meetings of the Committee

During the Reporting Period, 6 meetings were held by the Remuneration and Nomination Committee, the particulars of which are as follows:

On 15 March 2017, the Remuneration and Nomination Committee of the third session of the Board held the first meeting in 2017, at which the resolution in relation to Plan for Bonus Distribution of Senior Management of the Company of 2016 was considered and approved and submitted to the Board for consideration.

On 17 April 2017, the Remuneration and Nomination Committee of the third session of the Board held the second meeting in 2017, at which the resolution in relation to the Nomination of Ms. Gao Liang as a Candidate for Non-executive Director of the Third Session of the Board was considered and approved and submitted to the Board for consideration.

On 31 October 2017, the Remuneration and Nomination Committee of the third session of the Board held the third meeting in 2017, at which the resolution in relation to the Nomination of Director Candidates of the Fourth Session of the Board was considered and approved and submitted to the Board for consideration.

On 3 November 2017, the Remuneration and Nomination Committee of the third session of the Board held the fourth meeting in 2017, at which the resolution in relation to Recommendation on 2017 Senior Management Performance Appraisal was considered and approved and submitted to the Board for consideration.



## Section 10 Corporate Governance Report (Continued)

On 1 December 2017, the Remuneration and Nomination Committee of the third session of the Board held the fifth meeting in 2017, at which the resolution in relation to the Nomination of Ms. Dong Hong as a Candidate for Non-executive Director of the Fourth Session of the Board was considered and approved and submitted to the Board for consideration.

On 22 December 2017, the Remuneration and Nomination Committee of the fourth session of the Board held the first meeting in 2017, at which the resolution in relation to the Election of Zhou Jianjun to the Chairman of the Remuneration and Nomination Committee of the Fourth Session of the Board was considered and approved.

<b>Name of member</b>	<b>Number of required attendances</b>	<b>Number of actual attendances</b>
Peng Diyun (彭迪雲) <sup>1</sup>	5	5
Zhou Jianjun (周建軍)	6	6
Chen Guanglei (陳廣壘) <sup>2</sup>	2	2
Pang Jiemin (龐介民) <sup>3</sup>	1	1
Lam Sek Kong (林錫光) <sup>3</sup>	1	1

*Notes:*

- On 22 December 2017, Mr. Peng Diyun has retired as an independent non-executive Director of the third session of the Board and ceased to act as the chairman and member of the Remuneration and Nomination Committee of the third session of the Board.
- On 12 October 2017, upon the approval of 51th extraordinary meeting of the third session of the Board, Mr. Chen Guanglei, was appointed as a member of the Remuneration and Nomination Committee of the third session of the Board. On 22 November 2017, Mr. Chen Guanglei has retired as a non-executive Director of the third session of the Board and a member of the Remuneration and Nomination Committee of the third session of the Board.
- On 22 December 2017, upon the approval of first meeting of the fourth session of the Board, Mr. Pang Jiemin and Dr. Lam Sek Kong were appointed as members of the Remuneration and Nomination Committee of the fourth session of the Board.

## Section 10 Corporate Governance Report (Continued)

### V. CHAIRMAN AND PRESIDENT

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

Mr. Pang Jiemin, Chairman of the Board, leads the Board in determining the overall development strategy of the Company to guarantee the effective operation and performance of the Board, supervises and reviews the implementation of the resolutions of the Board, and debriefs the work reports of the senior management of the Company so as to ensure that the corporate governance of Company is in a virtuous order and the resolutions of the Board are in the best interest of the Company and its Shareholders as a whole. Mr. Niu Zhuang, the president, presides over the business operations of the Company, organizes the implementation of the resolutions of Board and reports to the Board.

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

The Company currently has four non-executive Directors and three independent non-executive Directors. For their appointment, please refer to Section 9 “Directors, Supervisors, Senior Management and Employees”.

### VII. SUPERVISORY COMMITTEE AND DUTY PERFORMANCE

#### (I) Duties of the Supervisory Committee

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

## Section 10 Corporate Governance Report (Continued)

### (II) Composition of the Supervisory Committee

Shareholder representative Supervisors are elected or replaced in general meetings while Employee Representative Supervisors are elected or replaced by the employees of the Company by means of the Company's democratic election. The Supervisors are elected for a term of three years and may be re-elected upon expiry of their terms of office. The Supervisory Committee currently consists of three members, namely, Mr. Guo Liwen (郭力文), the chairman of the Supervisory Committee, Ms. Pei Jingjing (裴晶晶), the Shareholder representative Supervisor, and Mr. Wang Hui (王慧), the employee representative Supervisor.

### (III) Meetings of the Supervisory Committee

The Supervisory Committee held 5 meetings during the Reporting Period, particulars of which are as follows:

1. On 24 March 2017, the 5th meeting of the third session of the Supervisory Committee was held, at which the following resolutions were considered and approved: the 2016 Report of the Supervisory Committee of the Company, the 2016 Annual Report of the Company, the 2016 Self-assessment Report of Internal Control of the Company, the 2016 Profit Distribution Plan of the Company, the 2016 Annual Final Accounting Report of the Company and the 2017 Annual Budget Proposal of the Company.
2. On 25 August 2017, the 6th meeting of the third session of the Supervisory Committee was held, at which the resolutions in relation to the 2017 Interim Report of the Company and the 2017 Interim Compliance Report of the Company were considered and approved.
3. On 2 November 2017, the 7th extraordinary meeting of the third session of the Supervisory Committee was held, at which the resolution in relation to the Off-office Auditing on Ms. Yu Fang (于芳) was considered and approved.
4. On 3 November 2017, the 8th extraordinary meeting of the third session of the Supervisory Committee was held, at which the resolutions in relation to the Nomination of the Candidates for Members of the Fourth Session of the Supervisory Committee and the Proposed Recommendation to the Board for Convening of Extraordinary General Meeting were considered and approved.
5. On 22 December 2017, the 1st meeting of the fourth session of the Supervisory Committee was held, at which the resolution in relation to the Election of Mr. Guo Liwen (郭力文) as the Chairman of the Supervisory Committee was considered and approved.

## Section 10 Corporate Governance Report (Continued)

### (IV) Meeting Attendances of Supervisors

Name of Supervisor	Position	Number of Required attendances	Attendances in person	Attendances by proxy	Absences	Voting results
Guo Liwen (郭力文)	Chairman of the Supervisory Committee	5	5	0	0	All agreed
Pei Jingjing (裴晶晶)	Shareholder Representative Supervisor	5	5	0	0	All agreed
Wang Hui (王慧)	Employee Representative Supervisor	5	5	0	0	All agreed

## VIII. OTHER RELATED ISSUES

### (I) Shareholders' Rights

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

According to Article 73 of the Articles of Association, Shareholder(s) severally or jointly holding 10% or more of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to laws, regulations and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. In the event that the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the event that the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding 10% or above of the shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing. In the event that the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after receipt

## Section 10 Corporate Governance Report (Continued)

of the said request. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the event that the Supervisory Committee does not issue the notice for the general meeting within the term stipulated, the Supervisory Committee shall be deemed as failing to convene and preside over the general meeting. As a result, the shareholder(s) severally or jointly holding 10% or more of the shares of the Company for 90 consecutive days or longer may convene and preside over such meeting by itself/themselves. According to Article 75 of the Articles of Association, for the general meeting convened by the Supervisory Committee or shareholders on its/their own, the Board and the secretary to the Board shall cooperate. The Board shall provide the register of shareholders on the record date of the equity interests. According to Article 78 of the Articles of Association, the shareholder(s) severally or jointly holding 3% or above of the shares of the Company shall be entitled to propose motions concerning such matters other than nominating candidates for directors (including independent directors) or supervisors to the Company. The shareholder(s) severally or jointly holding 3% or above of the shares of the Company may submit written provisional motion to the convener 10 days before a general meeting is held. The convener shall serve a supplementary notice of general meeting within 2 days after receipt of such motion, and notify the shareholders of the contents of the provisional motion. Save as specified in the preceding paragraph, the convener shall not change the motion set out in the notice of general meeting or add any new motion after the said notice announcement is served. Such motions which are not specified in the notice of the general meeting or which do not comply with Article 77 of the Articles of Association shall not be voted or resolved at the general meeting. According to Article 87 of the Articles of Association, any shareholder entitled to attend and vote at a general meeting shall have the right to appoint one or several persons (who may not be shareholders) to act as his/her proxy to attend and vote at the meeting on his/her behalf.

Resolutions passed at the general meeting shall be immediately announced in accordance with the laws, regulations, departmental rules, normative documents, provisions of the securities regulatory authorities at the place where the shares of the Company are listed, or the provisions of the Articles of Association. Such minutes of meeting, together with the signatures of the shareholders attending meeting and the powers of attorney concerning the proxies attending the meeting on behalf of others, shall be kept at the domicile of the Company. Shareholders may consult photocopies of the minutes of meetings free of charge during the business hours of the Company. In the event of any shareholder asking for photocopies of such minutes, the Company shall deliver the photocopies in 7 days after receiving rational expenses.

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

## Section 10 Corporate Governance Report (Continued)

### **(II) Compliance with Model Code**

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors and Supervisors. Having made specific enquiry with all Directors and Supervisors, all Directors and Supervisors confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

### **(III) Liability Insurance of the Directors, Supervisors and Senior Management of the Company**

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

### **(IV) Responsibilities of Directors for Financial Statements**

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

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

### **(V) Appointment and Remuneration of Auditors**

Please refer to the subsection headed “VIII. Engagement of Accounting Firms” in Section 7 “Other Material Particulars” of this report.

### **(VI) Review of the Audit Committee**

The Audit Committee has reviewed the Company’s consolidated financial statements of 2017.

## Section 10 Corporate Governance Report (Continued)

### **(VII) Joint Company Secretaries**

Mr. Zhang Wei (張偉) and Ms. Leung Wing Han Sharon (梁穎嫻) are joint company secretaries of the Company. Ms. Leung Wing Han Sharon (vice president of SW Corporate Services Group Limited) provides assistance to Mr. Zhang Wei in the discharge of his duties as a company secretary of the Company. Mr. Zhang Wei, the secretary to the Board and the joint company secretary of the Company, serves as the primary contact person between Ms. Leung Wing Han Sharon and the Company. During the Reporting Period, Mr. Zhang Wei and Ms. Leung Wing Han Sharon have both received no less than 15 hours of professional training in accordance with Rule 3.29 of the Listing Rules.

Minutes of all meetings of the Board and special committees of the Board are kept at the Company, and are available for inspection by the Directors upon request.

### **(VIII) Communications with Shareholders**

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

Attaching great importance to opinions and suggestions of its shareholders, the Company designated staff to keep in contact with shareholders and meet their reasonable demands in time. The Company releases its announcements, financial data and other relevant data in the column of Investor Relations on its website [www.cnht.com.cn](http://www.cnht.com.cn). The shareholders may contact the Company for any enquiry by email ([dongban@cnht.com.cn](mailto:dongban@cnht.com.cn)) or telephone (+86 10 8327 0996) or by writing to the Company's address (11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC). The Company will properly handle all enquiries in time.

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

### **(IX) Investor Relation Activities**

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

## Section 10 Corporate Governance Report (Continued)

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

### **(X) Board Diversity Policy**

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

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

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

### **(XI) Amendments to the Articles of Association**

During the Reporting Period, the Articles of Association of the Company were amended twice:

1. On 16 June 2017, the resolution in relation to the Proposed Amendments to the Articles of Association was considered and approved at 2016 annual general meeting of the Company. Due to the change of contact numbers of the Company, relevant provisions of the Articles of Association were amended in accordance with the requirements of relevant authorities. Such amendments came into effect from the date of approval by the shareholders at the general meeting.



## Section 10 Corporate Governance Report (Continued)

- On 22 December 2017, the resolution in relation to the Proposed Amendments to the Articles of Association was considered and approved at the 2017 first extraordinary general meeting of the Company. Relevant provisions of the Articles of Association have been amended in accordance with the requirements under the Measures for Management of the Risk Control Indexes of Securities Companies (《證券公司風險控制指標管理辦法》) and the Measures for Compliance Management of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) promulgated by CSRC and the Overall Risk Management Standards of Securities Companies (《證券公司全面風險管理規範》) and the Guidelines on Implementation of Compliance Management of Securities Companies (《證券公司合規管理實施指引》) issued by the Securities Association of China. The proposed amendments came into effect after approval by the relevant securities regulatory authorities. As at 27 March 2018, upon approval by the Inner Mongolia Securities Regulatory Bureau of the CSRC with the Reply on Approval of Amendments to Important Articles of the Articles of Association by Hengtai Securities Co., Ltd. (Nei Zheng Jian Xu Ke [2018] No. 8) (《關於核准恒泰證券股份有限公司變更公司章程重要條款的批復》(內證監許可[2018]8號)), the Company was approved to change the important articles of the articles of association. The revised articles of association took effect on 27 March 2018.

### (XII) Risk Management and Internal Control

The Group's risk management and internal control systems are featured with a defined organization structure with limits of authority and well-rounded policies and procedures, and are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance of business activities, to identify and cope with potential risks, and to safeguard asset security of the Group. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board also recognises its overall responsibility for the Group's risk management and internal control systems and reviewing their effectiveness on an ongoing basis. In addition, the Audit Committee also has the responsibility for reviewing and assessing the Group's risk management and internal control systems.

Responsibility statement of the Board on risk management and internal control

In accordance with the requirements of the Enterprise Internal Control Standard System and the Corporate Governance Code, it is the responsibility of the Board to establish, implement and oversee a sound and effective risk management and internal control systems, assess its effectiveness and truthfully disclose the assessment report. The Supervisory Committee monitored the establishment and implementation of risk management internal control by the Board. The management is responsible for the organising and leading the daily operations of corporate risk management and internal control. The objectives of risk management and internal control of the Company are to ensure that all operation activities of the Company strictly comply with relevant state laws and

## Section 10 Corporate Governance Report (Continued)

regulations, industrial regulatory requirements and the internal management mechanism of the Company and that business activities of the Company are continuously in line with the Company's risk preference system and be effectively carried out with acceptable risks; promote the operation of operational and management activities in a healthy manner, guarantee the security and integrity of the Company's property and the truthfulness and accuracy of its financial reports; facilitate the overall implementation of the development strategy and the achievements of the operation objectives of the Company; improve operation efficiency and performance and safeguard the sustain development of the Company with health and stability. Since there are inherent limitations in risk management and internal control, only reasonable guarantees can be provided for achieving the abovementioned objectives.

In 2017, the Company has adopted the following policies and procedures and taken the following measures to improve the risk management and internal control systems of the Group:

### 1. Building of risk management and internal control systems

The Company has been attaching great importance to the building of risk management and internal control systems since its establishment, and continuing to strengthen the building of the risk management and internal control systems and mechanisms by virtue of reasonably formulating and effectively implementation various systems, measures and detailed rules, to enquire the effectiveness of the supervision and balance between departments and positions and lay the foundation for the Company's normalised development.

The Company has continuously improved its internal management and actively carried out the building and optimisation of risk management and internal control systems during the course of the Company's operation and development in accordance with relevant requirements of external supervisory regulations such as the Corporate Governance Code under Appendix 14 to the Listing Rules, the Basic Standard for Enterprise Internal Control, the Norms for the All-rounded Risk Management of Securities Companies and the Guidance for the Internal Control of Securities Companies.

During the Reporting Period, in order to adapt to the constantly changing regulatory requirements and ensure the guiding function of the internal control system for operation and management and business development, the Company timely organized all departments, branches, subsidiaries to sort out and establish internal control systems in strict compliance with related laws, regulations, rules and norms. Besides, the Company has formulated 2 new risk management rules and made amendments to 8 risk management rules.

The Company will continue to improve the risk management and internal control systems, sort out the present risk management and internal control processes and integrate the key points of the risk management and internal control work in respond to changes in the

## Section 10 Corporate Governance Report (Continued)

actual business situation of the Company and external regulatory laws and regulations. The Company will also update and improve various management and control measures for business processes and solidify the measures by means of relevant systems, so as to make the risk management and internal control systems more systematic and scientific and form a long-term effective management mechanism.

### 2. Risk management and internal control evaluation

There are inherent limitations in risk management and internal control, and macro environment, policies and regulations and the internal environment are constantly changing, which may lead to the deviation of previous management and control activities. As a result, the risk management and internal control can only provide reasonable guarantee to achieve the aforesaid objectives. The Company has established an independent and objective mechanism for internal review and audit, which requires inspection on the compliance of daily business operation with laws and regulations and timely update and improvement of risk management and internal control systems to be done from time to time pursuant to the provisions of internal and external rules and regulations, providing ex post supervision over risk management and internal control and promoting the sustainable development of the Company.

Pursuant to the Basic Standard for Enterprise Internal Control and ancillary relevant guidelines, the Guidance for the Internal Control of Securities Companies issued by the CSRC and the requirements of relevant standards, the Board has conducted an overall evaluation on the internal control for the period from 1 January 2017 to 31 December 2017. The evaluation scope comprises 29 first-tier business processes including securities brokerage business and other businesses, with over 1,200 risk control points.

The Board believes that the Company has established relatively sound risk management and internal control systems. During the Reporting Period, the Company has maintained effective risk management and internal control in all material respects. As such, there were no major defects in the risk management and internal control mechanisms and systems of the Company, nor was there any material deviation during implementation of such mechanisms and systems, which means the overall risk management and internal control of the Company was effective.

On 28 March 2018, Ruihua Certified Public Accountants LLP issued the Special Report on Internal Control of Hengtou Securities Co., Ltd. (Rui Hua Zhuan Shen Zi No.[2018]01360034) 《恒泰证券股份有限公司内部控制專項報告》(瑞華專審字[2018]01360034號) in respect of the Company's risk management and internal control, believing that the Company has maintained effective risk management and internal control over financial reporting in all material respects during the Reporting Period according to the Basic Standard for Enterprise Internal Control and relevant regulations.

## Section 10 Corporate Governance Report (Continued)

### 3. Other matters

#### (1) Building of compliance system

During the Reporting Period, the Company, in strict accordance with relevant laws and regulations, earnestly implemented the requirements of industry regulatory authorities and those set by the Board in relation to compliance management and orderly carried out overall compliance management, taking risk control as the starting point, implementation of internal control as the measure and effective management as the goal.

Pursuant to the Administrative Measures on Compliance of Securities Firms and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) issued by the CSRC and the Guidelines for Implementation of Compliance Management on Securities Companies (《證券公司合規管理實施指引》) issued by the Securities Association of China and other related regulatory measures, the Board, the Supervisory Committee, the management, the chief compliance officer, the compliance department, the leaders of all the business departments and branches of the Company, being the persons responsible for compliance management, have made comprehensive revisions to the Compliance Management Measures of Hengtai Securities Co., Ltd (《恒泰證券股份有限公司合規管理辦法》) and other relevant rules, improving the duty system of all levels regarding compliance management on an ongoing basis and earnestly fulfilling their respective duties thereof so as to promote the business operations of the Company in compliance with regulations.

#### ① Constantly improving the Company's compliance management system

Organising all departments, branches, subsidiaries to comb internal control rules and formulate planning for system building, the Company required that internal control systems should exactly reflect regulatory requirements and operational rules so as to provide standardized guidance for business operation.

#### ② Carrying out compliance inspection and consultation

Compliance inspection and consultation are important means to take business compliance risk under control. During the Reporting Period, the Company continuously improved the efficiency of compliance inspection and consultation and produced compliance opinions and advices with discretion. The Company organised reviews over 303 special projects submitted by all the departments, 5,619 agreements and contracts relating to the Company, 520 applications for various permits and 1,266 approvals on other matters and issued 255 compliance opinions.

## Section 10 Corporate Governance Report (Continued)

### ③ Compliance training and promotion

Building a regular compliance training and promotion mechanism will facilitate understanding and mastering of laws and regulations and internal control system, and development of proactive compliance awareness, thus creating sound compliance atmosphere. During the Reporting Period, the Company organised 36 compliance training sessions (including 20 internal training sessions) and attended 16 training sessions arranged by the Securities Association of China and other regulatory authorities.

### ④ Strengthening information firewall

During the Reporting Period, the Company periodically identified people involving sensitive information and maintained name lists for inspection and restriction. The Company, added a module as information firewall on the internal control platform to facilitate business isolation management, avoiding interest conflicts and tunneling. The Company has sent 194 notices of name lists for restriction, 17 name lists for inspection and 2 notices for black-out period.

### ⑤ Handling complaints and tip-offs

The Company specially appointed persons to collect complaints and tip-offs from all branches and business departments, track the handling progress, supervise related departments properly dealing with the complaints and tip-offs and report complaints from corporate clients to the regulatory authorities on a regular basis. There were 4 quarterly reports and 12 monthly reports on corporate client complaints delivered to the regulatory authorities during the Reporting Period.

### ⑥ Fulfilling obligations of anti-money laundering and financial stability

The Company earnestly accomplished the groundwork for anti-money laundering, continuously promoted anti-money laundering and improved the quality of block trade reporting and suspicious transaction reporting, effectively fulfilling its obligations of anti-money laundering. The Company also revised 11 anti-money laundering rules, organised all business lines to carry out self-assessment on anti-money laundering and timely reported to the People's Bank of China Hohhot Branch the significant events and regularly submitted various reports and statements. There were 70 reports and statements submitted to the People's Bank of China Hohhot Branch in a timely manner during the Reporting Period.

## Section 10 Corporate Governance Report (Continued)

### ⑦ Assessing the effectiveness of compliance management.

During the Reporting Period, as authorised by the Board, the Company assessed the effectiveness of compliance management in 2017. The Company conducted an overall appraisal on compliance of business development in terms of its progress followed by tracking, supervising, improving and implementing over issues discovered, and the compliance management mechanism of the Company was constantly improved as a result.

### (2) Inspections completed by the Compliance Department

During the Reporting Period, according to the requirements of regulatory authorities, the Company conducted compliance inspections with special focus on brokerage business, asset custody business, listing recommendation business in National Equities Exchange and Quotations and others. Compliance advices for existing problems were offered with requirements of proactive improvement by all departments in charge and subsequent implementation.

In view of the fast pace in establishment of securities branches in recent years and its existing wide regional distribution, for the purpose of strengthening management on securities branches, promptly identifying potential risks and promoting compliance development of business. Compliance inspections involving 24 securities branches were conducted during the Reporting Period.

### (3) Inspection and audit completed by the Audit Department

The Group has an internal audit function. During the Reporting Period, the Company carried out comprehensive review and audit work with internal audit focused on regulatory key points, key positions, high risk and new business aspects and accurately. It established projects adhering to the corporate strategy and achieved the working goal of full coverage of internal audit. The Company continued to enhance the three-level review mechanism for audit projects by placing emphasis on achievement of audit results and innovating audit thoughts and methods. It further constantly improved audit quality of projects, timely notified, regularly followed up and continually supervised the issues identified during the audit, thus effectively increased the proportion of audit rectification and awareness of risk prevention of the units being audited, and resolved potential risks.

During the Reporting Period, the Company completed 84 audits, produced 83 auditor's reports, and submitted more than 380 enquiry letters regarding audit risks to the management and relevant departments and issued 4 quarterly reports on progress of rectification supervision.

## Section 10 Corporate Governance Report (Continued)

### (4) Monitoring risk control indicators and building replenishment mechanism

With the purpose of building a sound dynamic monitoring system of risk control indicators, a capital replenishment mechanism, and a risk control indicator system centering on net capital and liquidity, carrying out business with measurable, controllable and manageable risks, the Company, pursuant to the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) of the CSRC, the Guidance for the Dynamic Monitoring System of the Risk control indicators of the Securities Companies (《證券公司風險控制指標動態監控系統指引》) of the Securities Association of China and other pertinent regulations, defined the Administrative Measures for Risk Control Indicators of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司風險控制指標管理辦法》) and other internal control rules.

In accordance with regulatory requirements, the Company established a dynamic monitoring system of risk control indicators for net capital and realized dynamic monitoring of risk control indicators and automatic warning. The dynamic monitoring system of the Company covers the business activities that affect risk control indicators such as net capital and liquidity and dynamically calculate risk control indicators such as net capital and liquidity; It carries out dynamic monitoring with particular business features taken into consideration and gives automatic warning on risk control indicators such as net capital and liquidity. Ability according to preset valve values and monitoring standards; It is capable of generating dynamic monitoring reports on risk control indicators such as net capital.

The Company regularly prepares the supervisory report on risk control indicators for net capital every month, sets up multi-level warnings on risk control indicators, practices dynamic monitoring of risk control indicators, follows and analyzes the causes of changes in indicators, and guides the business departments to timely respond to abnormal situations.

The Company established a stress testing mechanism to assess the impact of new business developments and other matters on risk control indicators such as net capital through regular and special stress tests. When it is found that indicators such as net capital are about to break regulatory alert standards, the Company will launch a contingency plan to take measures such as adjusting business scale and business structure, evaluating and adjusting business operation plans, increasing financing channels, optimizing asset and liability structure and issuing subordinated bonds when necessary to further replenish capital so as to support the long-term and stable business development.

## Section 10 Corporate Governance Report (Continued)

### (5) Standardisation of accounts

The Company carried out account management in strict accordance with the relevant requirements of account management, and in a routinely, standardized and institutionalized fashion to further improve the long-term effectiveness of the mechanism on standardised account management.

During the Reporting Period, the Company further strengthened the management of account opening, effectively avoided the unqualified account by intensifying supervision and review; and standardised and cleaned up the unqualified, dormant and risk disposal accounts. As at the end of Reporting Period, the Company logged 41 unqualified accounts, 19,912 pure capital accounts, 1,199 corporate frozen accounts, 17 corporate judicially frozen accounts, and no risk disposal account. The Company will continue to strengthen standardised management of accounts, strictly executive the systems for internal accountability of standardised management of accounts and effectively implement various works of standardised management of accounts.

### 4. Procedures and internal controls for the handling and dissemination of inside information

During the Reporting Period, the Company provided inside information training courses to the Directors and senior management of the Company to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company is assessed in a timely manner and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

### 5. Process used to identify, evaluate and manage significant risks

Details of the significant risks of the Company and the process used to identify, evaluate and manage the same are set out the subsection headed "VIII. Risk Factors and Countermeasures" under Section 5 "Management Discussion and Analysis" and forms a part of this Corporate Governance Report.

The Board normally conducts review of the effectiveness of the risk management and internal control systems at least on an annual basis. During the year of 2017, the Board, together with the Audit Committee and the Risk Control and Supervisory Committee, has conducted reviews of the risk management and internal control systems of the Company, covering all material controls, financial, compliance and operational controls as well as risk management mechanisms once and considered the risk management and internal control systems of the Company are adequate and being implemented effectively.



# Appendix Particulars of Securities Branches

As at the end of the Reporting Period, the Company had established 144 securities branches, details of which are set out in the following table:

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
1	Hengtai Securities Co., Ltd Changchun Dongfeng Avenue Securities Branch (恒泰证券股份有限公司长春东风大街证券营业部)	3/F, Yiqi Finance Building, No. 711 Dongfeng Avenue, Automotive Industry Development Zone, Changchun, Jilin (吉林省长春市汽车開發區東風大街711號一汽財務大廈三樓)	1990.5.12	Dong Xishen (董錫深)	0431-87626400
2	Hengtai Securities Co., Ltd Changchun Dongnanhu Road Securities Branch (恒泰证券股份有限公司长春东南湖大路证券营业部)	Room 602, 6/F, Dianyueshangqi, No.2221 Dongnanhu Road, Changchun Economic & Development Zone, Jilin (吉林省长春市經濟開發區東南湖大路2221號典約商祺6樓602號房)	1990.5.12	Zhao Chunrui (趙春瑞)	0431-84947885
3	Hengtai Securities Co., Ltd Hohhot Xincheng North Street Securities Branch (恒泰证券股份有限公司呼和浩特新城北街证券营业部)	No. 62 Xincheng North Street, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市新城北街62號)	1992.6.23	Ba Gen (巴根)	0471-6922856
4	Hengtai Securities Co., Ltd Changchun Xi'an Blvd Securities Branch (恒泰证券股份有限公司长春西安大路证券营业部)	15/F, No. 1077 Xi'an Blvd, Chaoyang District, Changchun, Jilin (吉林省长春市朝陽區西安大路1077號15層)	1992.11.27	Zhang Lifeng (張利峰)	0431-88497775
5	Hengtai Securities Co., Ltd Changchun Beijing Avenue Securities Branch (恒泰证券股份有限公司长春北京大街证券营业部)	No. 1223 Beijing Avenue, Kuancheng District, Changchun, Jilin (吉林省长春市寬城區北京大街1223號)	1993.4.23	Zhu Qingguo (朱慶國)	0431-82703518
6	Hengtai Securities Co., Ltd Changchun Gongnong Road Securities Branch (恒泰证券股份有限公司长春工农大路证券营业部)	22/F and 23/F, No. 1055 Gongnong Road, Chaoyang District, Changchun, Jilin (吉林省长春市朝陽區工农大路1055號22//23層)	1993.4.24	Liu Guangsen (劉廣森)	0431-85647591
7	Hengtai Securities Co., Ltd Hohhot Ulanqab East Road Securities Branch (恒泰证券股份有限公司呼和浩特烏蘭察布東街证券营业部)	4/F, Building 102, "Yuanyi Yujing", Ulanqab East Road, Saihan District, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市賽罕區烏蘭察布東街"園藝禦景"102號樓4層)	1993.6.4	Jin Xuxia (金旭霞)	0471-4962351
8	Hengtai Securities Co., Ltd Baotou Gangtie Street Securities Branch (恒泰证券股份有限公司包頭鋼鐵大街证券营业部)	5/F, Commercial guild hall Office, No. 56, Kunqu Gangtie Avenue, Baotou, Inner Mongolia (內蒙古自治區包頭市昆區鋼鐵大街56號工商會館寫字樓5樓)	1993.10.22	Yang Huilin (楊慧琳)	0472-6990128
9	Hengtai Securities Co., Ltd Hohhot Zhongshan West Road Securities Branch (恒泰证券股份有限公司呼和浩特中山西路证券营业部)	No. 66 Zhongshan West Road, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市中山西路66號)	1993.10.22	Kang Cheng (康誠)	0471-6286962

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
10	Hengtai Securities Co., Ltd Chifeng Hada Street Securities Branch (恒泰证券股份有限公司赤峰哈達街證券營業部)	Building 1, Jiushenmiao neighborhood committee, Xitun Office, Hongshan District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市紅山區西屯辦事處九神廟居委會1號樓)	1996.8.20	Zhang Hongyun (張紅雲)	0476-8353933
11	Hengtai Securities Co., Ltd Shanghai Xiangde Road Securities Branch (恒泰证券股份有限公司上海祥德路證券營業部)	No. 383 Xiangde Road Shanghai (上海市祥德路383號)	1996.10.30	Lian Wanpeng (連萬鵬)	021-65085138
12	Hengtai Securities Co., Ltd Shenzhen Meilin Road Securities Branch (恒泰证券股份有限公司深圳梅林路證券營業部)	Room 1001, 10th Floor, Unit B, Block B, South Zone of Excellence Meilin Center Plaza, Meilin Road, Meilin Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區梅林街道梅林路卓越梅林中心廣場(南區)B座B單元10層1001號)	1996.11.4	Liu Jianjun (劉建軍)	0755-83534805
13	Hengtai Securities Co., Ltd Shanghai Zhangyang Road Securities Branch (恒泰证券股份有限公司上海張楊路證券營業部)	4/F, No. 3399 Zhangyang Road, Pudong District, Shanghai (上海市浦東新區張楊路3399號四層)	1996.12.21	Li Lisong (李麗松)	021-68533517
14	Hengtai Securities Co., Ltd HLD Hexi development District Securities Branch (恒泰证券股份有限公司海拉爾河西開發區證券營業部)	Complex Office Building of Administration Commission, Hailaer Economic and Technological Development Zone, Hulunbeir, Inner Mongolia (內蒙古自治區呼倫貝爾市海拉爾區經濟技術開發區管委會辦公綜合樓)	1997.7.30	Zhu Shengwang (朱勝望)	0470-8352899
15	Hengtai Securities Co., Ltd Ulanqab Jianshe Road Securities Branch (恒泰证券股份有限公司烏蘭察布市建設路證券營業部)	Room 301, 302, 303, Building K18 Anda Guoji Jiayuan, Enhe Road, Jining District, Ulanqab, Inner Mongolia (內蒙古自治區烏蘭察布市集寧區恩和路安大國際嘉園K18棟301、302、303)	1997.7.31	Guo Lifeng (郭立峰)	0474-8222000
16	Hengtai Securities Co., Ltd Hohhot Xilin South Road Securities Branch (恒泰证券股份有限公司呼和浩特錫林南路證券營業部)	No. 601, Block C, Yingjia Guoji, Xilin South Road, Saihan District, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市賽罕區錫林南路盈嘉國際C座601號)	1997.8.5	Li Sheng (李聖)	0471-6917051
17	Hengtai Securities Co., Ltd Dongsheng Erdos Street Securities Branch (恒泰证券股份有限公司東勝鄂爾多斯大街證券營業部)	No. 11 Erdos West Street, Dongsheng, Inner Mongolia (內蒙古自治區東勝市鄂爾多斯西街11號)	1997.8.13	He Jun (何軍)	0477-8331678
18	Hengtai Securities Co., Ltd Linhe District Shengli North Road Securities Branch (恒泰证券股份有限公司臨河勝利北路證券營業部)	4/F, Hua'ao Building, No.1 Shengli North Road, Linhe District, Bayannur, Inner Mongolia (內蒙古自治區巴彥淖爾市臨河區勝利北路1號華澳大廈四層)	1997.8.13	Cheng Xiaohu (程小虎)	0478-8226336

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
19	Hengtai Securities Co., Ltd WuHai Haila South Road Securities Branch (恒泰证券股份有限公司烏海海拉南路證券營業部)	No. 26 Haila South Road, Haibowan District, Wuhai, Inner Mongolia (內蒙古自治區烏海市海勃灣區海拉南路26號)	2000.8.3	Lv Zhongkai (呂忠凱)	0473-2017526
20	Hengtai Securities Co., Ltd Jingyang Road Securities Branch (恒泰证券股份有限公司長春景陽大路證券營業部)	Room 1223-1228 & Room 1240-1244, Unit 2, Building A5, Zhonghai Kaixuanmen, Qimao Community East Jingyang Road South, Lvyuan District, Changchun, Jilin (吉林省長春市綠園區汽貿小區以東景陽大路以南中海凱旋門A5幢2單元1223室-1228室、1240室-1244室)	2000.9.18	Liu Hong (劉宏)	0431-87989955
21	Hengtai Securities Co., Ltd Beijing Guang'anmenwai Street Securities Branch (恒泰证券股份有限公司北京廣安門外大街證券營業部)	Room 240, second Floor, Shenzhen Hotel, No. 1 Guang'anmenwai Street, Xicheng District, Beijing (北京市西城區廣安門外大街1號深圳大廈2層240號房間)	2000.9.30	Gao Wa (高娃)	010-63280100
22	Hengtai Securities Co., Ltd Changchun Renmin Street Redbuds Securities Branch (恒泰证券股份有限公司長春人民大街紫荊花證券營業部)	Southern Zone, 15/F, Redbuds Hotel, No. 5688 Renmin Street, Nangan District, Changchun, Jilin (吉林省長春市南關區人民大街5688號紫荊花飯店十五層南區)	2002.2.27	Cui Chunyu (崔春雨)	0431-82982159
23	Hengtai Securities Co., Ltd Jilin Tongtan Avenue Securities Branch (恒泰证券股份有限公司吉林通潭大路證券營業部)	Rooms 1 & 2 & 3 & 4, building 5-1, Tongtan West Community, Changyi District, Jilin City, Jilin Province (吉林省吉林市昌邑區通潭西區5-1棟1、2、3、4號工商房)	2002.6.6	Su Xiurong (宿秀榮)	0432-62785999
24	Hengtai Securities Co., Ltd Beijing Dongzhimennei North Alley Securities Branch (恒泰证券股份有限公司北京東直門內北小街證券營業部)	Rooms 101 & 201, Building No. 14 & No. 18, North Alley, Dongzhimennei, Dongcheng District, Beijing (北京市東城區東直門內北小街14、18號樓101、201號)	2003.3.28	Shi Min (史敏)	010-84128668
25	Hengtai Securities Co., Ltd Shanghai Xiaomuqiao Road Securities Branch (恒泰证券股份有限公司上海小木橋路證券營業部)	Room 1001-1004, No. 251 Xiaomuqiao Road, Xuhui District, Shanghai (上海市徐匯區小木橋路251號1001、1002、1003、1004室)	2003.5.16	Gao Xiaochun (高小春)	021-64433290
26	Hengtai Securities Co., Ltd Nanjing Shuiximen Avenue Securities Branch (恒泰证券股份有限公司南京水西門大街證券營業部)	No. 203 Shuiximen Avenue, Jianye District, Nanjing, Jiangsu (江蘇省南京市建邺區水西門大街203號)	2003.9.30	Chong Xinong (崇曦農)	025-84780368
27	Hengtai Securities Co., Ltd Hangzhou Fengqi Road Securities Branch (恒泰证券股份有限公司杭州鳳起路證券營業部)	Block A-J, Room 801, No. 96 Fengqi Road, Xiacheng District, Hangzhou, Zhejiang (浙江省杭州市下城區鳳起路96號801室A-J座)	2004.7.20	Chen Yiping (陳宜平)	0571-85802451

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
28	Hengtai Securities Co., Ltd Shenyang Fengtian Street Securities Branch (恒泰证券股份有限公司瀋陽奉天街證券營業部)	Room 502, 503, 601, 602, 603, 604, 605, 606, 607, 608, 609, No.351 Fengtian Street, Shenhe District, Shenyang, Liaoning (遼寧省瀋陽市瀋河區奉天街351號502、503、601、602、603、604、605、606、607、608、609室)	2004.9.10	Heng Jianwei (衡建偉)	024-31211288
29	Hengtai Securities Co., Ltd Jinan Jiefang Road Securities Branch (恒泰证券股份有限公司濟南解放路證券營業部)	4/F, Block A East, Guohua Building, 30-1 Jiefang Road, Jinan, Shandong (山東省濟南市解放路30-1國華大廈A座東四層)	2006.11.29	Bai Rong (白榮)	0531-81853932
30	Hengtai Securities Co., Ltd Tongliao Central Avenue Securities Branch (恒泰证券股份有限公司通遼中心大街證券營業部)	(Underground 114 and 115, 1-2/F, Building 6, Halal Chech-in Halal Community) Yong'an Middle Road, Khorchin District, Tongliao, Inner Mongolia (內蒙古自治區通遼市科爾沁區永安路中段(清真辦事處清真小區6#樓1-2層和地下室114室、115室))	2009.1.20	Zhang Bin (張斌)	0475-8271162
31	Hengtai Securities Co., Ltd Chifeng Pingzhuanghahe Street Securities Branch (恒泰证券股份有限公司赤峰平莊哈河街證券營業部)	Pingzhuanghahe Street East North, Yuanbaoshan District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市元寶山區平莊哈河街東段北側)	2009.1.20	Wang Yuelong (王躍龍)	0476-3517417
32	Hengtai Securities Co., Ltd Shanghai Wusong Road Securities Branch (恒泰证券股份有限公司上海吳淞路證券營業部)	Rooms 1201 & 1202, No. 575 Wusong Road, Hongkou District, Shanghai (上海市虹口區吳淞路575號1201、1202室)	2009.3.10	Chen Yong (陳勇)	021-65617128
33	Hengtai Securities Co., Ltd Beijing Dongsanhuan Central Securities Branch (恒泰证券股份有限公司北京東三環中路證券營業部)	1/F,11A, and 2/F, 11B, Building 5, No. 76 Baiziwán South Second Road, Chaoyang District, Beijing (北京市朝陽區百子灣南二路76號院5號樓1層11A、2層11B)	2009.3.10	Yang liu (楊柳)	010-87751985
34	Hengtai Securities Co., Ltd Xilinhot Tuanjie Avenue Securities Branch (恒泰证券股份有限公司錫林浩特團結大街證券營業部)	Xinlinguole Hotel Business Building, Tuanjie Avenue, Xilinhot, Inner Mongolia (內蒙古自治區錫林浩特市團結大街錫林郭勒賓館商業樓)	2009.5.11	Xu Changfeng (徐長鋒)	0479-8248846
35	Hengtai Securities Co., Ltd Baotou Qingshan District Ziyou Road Securities Branch (恒泰证券股份有限公司包頭青山區自由路證券營業部)	No. 24 Ziyou Road, Qingshan District, Baotou, Inner Mongolia (內蒙古自治區包頭市青山區自由路24號)	2009.6.8	Du Hongwei (杜宏偉)	0472-6962838
36	Hengtai Securities Co., Ltd Baotou Youyi Street Securities Branch (恒泰证券股份有限公司包頭友誼大街證券營業部)	No. 126 Culture Creativity Park, No. 67 Youyi Street, Qingshan District, Baotou, Inner Mongolia (內蒙古自治區包頭市青山區友誼大街67號文化創意園-126號)	2009.6.8	Wang Wenxue (王文學)	0472-2318629

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
37	Hengtai Securities Co., Ltd Chifeng Tianyi Road Securities Branch (恒泰证券股份有限公司赤峰天义路證券營業部)	Unit 01012, No. B-16, Yulongjiayuan Community, Tianyi Road West, Quanning Street North, Bajiazutuan, Xincheng District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市新城区八家組團全寧街北天義路西玉龍家園小區B-16號01012)	2009.6.22	Zhao Zhongxin (趙忠信)	0476-8828997
38	Hengtai Securities Co., Ltd Erdos Xuejiawan Junggar Road Securities Branch (恒泰证券股份有限公司鄂爾多斯薛家灣准格爾路證券營業部)	2/F, Donghua Commercial-residential Building, Junggar Road South Power Supply Administration East, Xinglong Avenue, Junggar Banner, Inner Mongolia (內蒙古自治區准格爾旗興隆街道准格爾路南供電局東東華商住樓二樓)	2009.6.23	Huang Haikuan (黃海寬)	0477-4212298
39	Hengtai Securities Co., Ltd Yakeshi Qingsong Road Securities Branch (恒泰证券股份有限公司牙克石青松路證券營業部)	Shop 1-8, First Floor, Complex Building, Xingong Street Office, Qingsong Road East, Yakeshi, Inner Mongolia (內蒙古自治區牙克石市新工辦事處青松路東綜合樓一層門市1-8號)	2009.10.23	Geng Zhenshan (耿振山)	0470-7357266
40	Hengtai Securities Co., Ltd Zhalantun Buteha North Road Securities Branch (恒泰证券股份有限公司紮蘭屯布特哈北路證券營業部)	Shop 1005, Building 6, Xiushui Yiyuan Community, Buteha Road, Zhalantun, Inner Mongolia (內蒙古自治區紮蘭屯市布特哈路秀水怡園小區6號樓1005商服)	2009.10.23	Yu Zhaojun (于兆君)	0470-3218089
41	Hengtai Securities Co., Ltd Manchuria Shulin Road Securities Branch (恒泰证券股份有限公司滿洲里樹林路證券營業部)	3/F, Main Building of Jinding Building, No. 17 Shulin Road, North District, Manchuria, Inner Mongolia (內蒙古自治區滿洲里市北區樹林路17號金鼎大廈主樓三層)	2009.10.23	Wang Qiming (王啟明)	0470-6239595
42	Hengtai Securities Co., Ltd Erenhot Xinhua Avunue Securities Branch (恒泰证券股份有限公司二連浩特新華大街證券營業部)	No. 010110, Building 5, Xuefuxinyuan Community, Xinhua Avunue North Qianjin Road West, Erenhot, Inner Mongolia (內蒙古自治區二連浩特市新華大街北、前進路西學府馨苑小區5號樓010110號)	2009.11.4	Huo Dongsheng (霍東勝)	0479-7517860
43	Hengtai Securities Co., Ltd Alashan League Bayanhaot Jilantai Road Securities Branch (恒泰证券股份有限公司阿拉善盟巴彥浩特吉蘭泰路證券營業部)	Minsheng Garden Shop, Jilantai Road South, Bayanhaot Town, Alashan League Alashan Left Banner, Inner Mongolia (內蒙古阿拉善盟阿拉善左旗巴彥浩特鎮吉蘭泰路南民生花園商舖)	2009.11.23	Zhang Mei (張玫)	0483-8351609
44	Hengtai Securities Co., Ltd Jilin Panshi Dongning Street Securities Branch (恒泰证券股份有限公司吉林磐石東寧街證券營業部)	Room 6 and 7, No. 11 Longchang Shangcheng, Dongning Street, Panshi, Jilin (吉林省磐石市東寧街隆昌上城11號樓6、7號門市)	2010.2.9	Bie Wei (別畏)	0432-65041516
45	Hengtai Securities Co., Ltd Baishan Hunjiang Street Securities Branch (恒泰证券股份有限公司白山渾江大街證券營業部)	Justice Bureau, Xinjian Street, Badaojiang District, Baishan, Jilin (吉林省白山市八道江區新建街司法局門市)	2010.3.17	Li Jie (李傑)	0439-3299456

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
46	Hengtai Securities Co., Ltd Tonghua Dongchang Road Securities Branch (恒泰证券股份有限公司通化東昌路證券營業部)	No. 665 Dongchang Road, Dongchang District, Tonghua, Jilin (吉林省通化市東昌區東昌路665號)	2010.8.5	Jing Yafu (經亞夫)	0435-3707171
47	Hengtai Securities Co., Ltd Baicheng Changqing South Street Securities Branch (恒泰证券股份有限公司白城長慶南街證券營業部)	Room 2-1, No. 8 Building, Changqing South Street, Baicheng, Jilin (吉林省白城市長慶南街8號樓2-1門市)	2010.10.25	Xu Ke (徐克)	0436-3202666
48	Hengtai Securities Co., Ltd Liaoyuan Hening Street Securities Branch (恒泰证券股份有限公司遼源和寧街證券營業部)	Shop 102, Building G2, Yangguang Xincheng-Dongxing Shanyucheng, Hening Street, Xi'an District, Liaoyuan, Jinlin (吉林省遼源市西安區和寧街陽光新城東星山語城G2號樓102門市)	2010.10.28	Feng Dong (豐冬)	0437-6678008
49	Hengtai Securities Co., Ltd Qianguo Hasaer Road Securities Branch (恒泰证券股份有限公司前郭哈薩爾路證券營業部)	2/F, No.18 & No.19 Zongshe Shangqi, Jinzuo Estate, Wenzhiwei District Hasaer, Qianguo County, Jilin (吉林省前郭縣哈薩爾路文治委金座綜合商企18、19二層商舖)	2011.3.16	Sun Yuman (孫毓蔓)	0438-6620000
50	Hengtai Securities Co., Ltd Erdos Dalad Banner Securities Branch (恒泰证券股份有限公司鄂爾多斯達拉特旗證券營業部)	Zonghe Building, Xinni Street South Xinhua Road East, Shulinzhao Town, Dalad Banner, Erdos, Inner Mongolia (內蒙古自治區鄂爾多斯市達拉特旗樹林召鎮錫尼街南新華路綜合樓)	2011.10.24	Li Chunping (李春平)	0477-5223035
51	Hengtai Securities Co., Ltd Wuhai Wuda District Bayinsai Street Securities Branch (恒泰证券股份有限公司烏海烏達區巴音賽街證券營業部)	1/F Shop, No. 9, Jiefang South Road North to South, Binyuan Hotel, Wuda District, Wuhai, Inner Mongolia (內蒙古自治區烏海市烏達區賓源大酒店解放南路從北向南9號一層商舖)	2011.10.24	Liu Qiuli (劉秋利)	0473-2022007
52	Hengtai Securities Co., Ltd Baotou Salaqi Zhenhua Street Securities Branch (恒泰证券股份有限公司包頭薩拉齊振華大街證券營業部)	Shop No. 4, Main Tower of Tumed Right Hotel, Tumed Right Banner, Baotou, Inner Mongolia (內蒙古自治區包頭市土默特右旗振華大街土右賓館主樓4號底店)	2012.3.16	Wang Xiangyang (王向陽)	0472-8921256
53	Hengtai Securities Co., Ltd Chifeng Ningcheng Daning Road Securities Branch (恒泰证券股份有限公司赤峰寧城大寧路證券營業部)	Huaxin Community, Daning Road East, Tianyi Town, Ningcheng County, Chifeng, Inner Mongolia (內蒙古自治區赤峰市寧城縣天義鎮大寧路東側(華鑫小區))	2012.3.16	Chen Shichao (陳世超)	0476-4255161
54	Hengtai Securities Co., Ltd Chaozhou Chengxinxi Road Securities Branch (恒泰证券股份有限公司潮州城新西路證券營業部)	Shop 11 and 12, No. 1 Haiyi, Chengxinxi Road, Xiangqiao District, Chaozhou, Guangdong (廣東省潮州市湘橋區城新西路海逸一號11、12號商舖)	2014.1.13	Ye Xi (葉璽)	0768-2520001

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
55	Hengtai Securities Co., Ltd Beijing Finance Street Securities Branch (恒泰证券股份有限公司北京金融大街證券營業部)	Room 507, 5/F, Block C, No. 33 Finance Street, Xicheng District, Beijing (北京市西城區金融大街33號C座5層507)	2014.1.13	Gao Jia (高佳)	010-56673868
56	Hengtai Securities Co., Ltd Beijing Xisihuan North Road Securities Branch (恒泰证券股份有限公司北京西四環北路證券營業部)	Room 109, Block 1, No. 160 Xisihuan North Road, Haidian District, Beijing (北京市海澱區西四環北路160號1層一區109)	2014.1.13	Zu Linlin (祖琳琳)	010-57851502
57	Hengtai Securities Co., Ltd Shenzhen Shennan Avenue Securities Branch (恒泰证券股份有限公司深圳深南大道證券營業部)	Room 701, Yangguang Gao'erfu Building, Shennan Avenue, Futian District, Shenzhen (廣東省深圳市福田區深南大道陽光高爾夫大廈701室)	2015.1.12	Shi Buren (施布仁)	0755-82828137
58	Hengtai Securities Co., Ltd Zhongshan Zhongshan Forth Road Securities Branch (恒泰证券股份有限公司中山中山四路證券營業部)	Block 20, Building 81/82/83/85/, Shunjing Garden, East District, Zhongshan, Guangdong (廣東省中山市東區順景花園81/82/83/85幢20卡)	2015.1.22	Li Jianhua (李建華)	0760-88833653
59	Hengtai Securities Co., Ltd Liaocheng Huangshan South Road Securities Branch (恒泰证券股份有限公司聊城黃山南路證券營業部)	No. 310, Unit A, Kaixuan Building, 1 Huangshan South Road, Economic and Technological Development zone, Liaocheng, Shandong (山東省聊城市經濟技術開發區黃山南路1號凱旋大廈A單元310號)	2015.1.26	Wang Peng (汪鵬)	0635-2110887
60	Hengtai Securities Co., Ltd Weifang Fushou East Street Securities Branch (恒泰证券股份有限公司濰坊福壽東街證券營業部)	Room 601, No. 1 Jinnuo Building, No. 5603 Fushou East Street, Kuiwen District, Weifang, Shandong (山東省濰坊市奎文區福壽東街5603號1號樓金諾大廈601室)	2015.1.29	Zhao Wenyan (趙文苑)	0536-8986553
61	Hengtai Securities Co., Ltd Qingdao Donghai Middle Road Securities Branch (恒泰证券股份有限公司青島東海中路證券營業部)	No.16A Donghai Middle Road, Shinan District, Qingdao, Shandong (山東省青島市市南區東海中路16號甲)	2015.2.3	Pang Jian (龐健)	0532-85710711
62	Hengtai Securities Co., Ltd Shanghai Chengshan Road Securities Branch (恒泰证券股份有限公司上海成山路證券營業部)	3/F, No.2469-2471 (odd number) Chengshan Road, Pudong District, Shanghai (上海市浦東新區成山路2469-2471(單)號第三層)	2015.3.6	Meng Shuang (孟爽)	021-62030568
63	Hengtai Securities Co., Ltd Shanghai Longhua East Road Securities Branch (恒泰证券股份有限公司上海龍華東路證券營業部)	Room 807, No. 858 Longhua East Road, Huangpu District, Shanghai (上海市黃浦區龍華東路858號807室)	2015.3.18	Yang Shifang (楊世芳)	021-63357216

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
64	Hengtai Securities Co., Ltd Guangzhou Zhujiang West Road Securities Branch (恒泰证券股份有限公司廣州珠江西路證券營業部)	Self Unit 12, Room 3801, No. 17 Zhujiang West Road, Tianhe District, Guangzhou, Guangdong (廣東省廣州市天河區珠江西路17號3801房自編12單元) (for office use only)	2015.3.20	Lu Liang (盧亮)	020-38206520
65	Hengtai Securities Co., Ltd Beijing Jianguo Road Securities Branch (恒泰证券股份有限公司北京建國路證券營業部)	No. 117 and 118, Building 19, 93 Jianguo Road, Chaoyang District, Beijing (北京市朝陽區建國路93號院19號樓117、118號)	2015.6.18	Liu Teng (劉騰)	010-59603207
66	Hengtai Securities Co., Ltd Dalian Southwest Road Securities Branch (恒泰证券股份有限公司大連西南路證券營業部)	Unit 07, 19/F, Sanhe Building, NO.929 Southwest Road, Shahekou District, Dalian, Liaoning (遼寧省大連市沙河口區西南路929號三合大廈19層07號)	2015.6.26	Zhang Lei (張磊)	0411-68837268
67	Hengtai Securities Co., Ltd Qingdao Yanerdao Road Securities Branch (恒泰证券股份有限公司青島燕兒島路證券營業部)	No.7a-9 Yanerdao Road, South District, Qingdao, Shandong (山東省青島市市南區燕兒島路7號甲-9號)	2015.6.30	Fan Shuhui (范曙輝)	0532-86108627
68	Hengtai Securities Co., Ltd Beijing Suzhou Street Securities Branch (恒泰证券股份有限公司北京蘇州街證券營業部)	Building 11-16, No. 29, Suzhou Street, Haidian District, Beijing (北京市海澱區蘇州街29號11-16幢)	2015.7.1	Zhao Yajing (趙亞晶)	010-62423585
69	Hengtai Securities Co., Ltd Changzhou Longjin Road Securities Branch (恒泰证券股份有限公司常州龍錦路證券營業部)	No. 7-105, Fuxi Garden Shop, Xinbei District, Changzhou, Jiangsu (江蘇省常州市新北區府西花園商鋪7-105號)	2015.7.2	Chen Le (陳樂)	0519-85551099
70	Hengtai Securities Co., Ltd Chongqing Taishan Avenue Securities Branch (恒泰证券股份有限公司重慶泰山大道證券營業部)	Room 13-6, Building 3, No.40 Donghu South Road, North District, Chongqing (重慶市北部新區東湖南路40號3幢13-6)	2015.7.8	Shen Jie (申傑)	023-63109978
71	Hengtai Securities Co., Ltd Wuhan Xibei Road Securities Branch (恒泰证券股份有限公司武漢西北湖路證券營業部)	No. 99 Beihu Road, Jiangnan District, Wuhan, Hubei (湖北省武漢市江漢區北湖小路99號)	2015.7.14	Fan Chunhua (范春華)	027-85898177
72	Hengtai Securities Co., Ltd Shanghai Lanhua Road Securities Branch (恒泰证券股份有限公司上海蘭花路證券營業部)	Room 1207, No.333 Lanhua Road, Pudong New District, Shanghai (上海市浦東新區蘭花路333號1207室)	2015.7.20	Li Jianhao (李建毫)	021-50800860



## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
73	Hengtai Securities Co., Ltd Shanghai Dongfang Road Securities Branch (恒泰证券股份有限公司上海東方路證券營業部)	Shop 18, Lobby 1/F, Unit D2, 15/F, No.778 Dongfang Road, Shanghai Pilot Free Trade Zone, Shanghai (上海自由貿易試驗區東方路778號15樓D2單元、1樓大堂18號商舖)	2015.7.21	Chen Shaofeng (陳少峰)	021-31089988
74	Hengtai Securities Co., Ltd Beijing Shangdi Third Street Securities Branch (恒泰证券股份有限公司北京上地三街證券營業部)	Room 102, Door 3, 1/F, Building 3, Shangdi Information Industry Base Third Street, Haidian District, Beijing (北京市海澱區上地信息產業基地三街3號樓1層3門102)	2015.7.31	Cheng Zhanhua (程占華)	010-82899169
75	Hengtai Securities Co., Ltd Shanghai Lujiazui Securities Branch (恒泰证券股份有限公司上海陸家嘴證券營業部)	Room 31026, 31/F, No. 66 Huayuan Shiqiao Road, Shanghai Pilot Free Trade Zone, Shanghai (上海自由貿易試驗區花園石橋路66號31層31026室)	2015.8.5	Huang Hui (黃輝)	021-61086538
76	Hengtai Securities Co., Ltd Shanghai Haining Road Securities Branch (恒泰证券股份有限公司上海海寧路證券營業部)	Room 1905, No. 469 Wusong Road, Hongkou District, Shanghai (上海市虹口區吳淞路469號1905室)	2015.8.12	Pan Xiaoli (潘曉麗)	021-66275131
77	Hengtai Securities Co., Ltd Dongguan Dalang Meijing Middle Road Securities Branch (恒泰证券股份有限公司東莞大朗美景中路證券營業部)	Room 1101, 1102 and 1103, Finance Building, No. 568 Meijing Middle Road, Changtang Community, Dalang Town, Dongguan, Guangdong (廣東省東莞市大朗鎮長塘社區美景中路568號金融大廈1101、1102、1103號)	2015.8.12	Ruan Hai (阮海)	0769-81198561
78	Hengtai Securities Co., Ltd Foshan Foping Road Securities Branch (恒泰证券股份有限公司佛山佛平路證券營業部)	Shop 2/F, Yujing City Garden Qumingxuan, No. 6 Guichengfoping Third Road, Nanhai District, Foshan, Guangdong (廣東省佛山市南海區桂城佛平三路6號禦景城市花園趣鳴軒第二層商舖)	2015.8.24	Xie Wen (謝文)	0757-86288102
79	Hengtai Securities Co., Ltd Hangzhou Jianghong Road Securities Branch (恒泰证券股份有限公司杭州江虹路證券營業部)	Room 1008, Building 1, Xinyada International Creative center, No. 1750 Jianghong Road, Binjiang District, Hangzhou, Zhejiang (浙江省杭州市濱江區江虹路1750號信雅達國際創意中心1幢1008室)	2015.8.25	Zheng Yi (鄭逸)	0571-86965997
80	Hengtai Securities Co., Ltd Hangzhou Xixi Road Securities Branch (恒泰证券股份有限公司杭州西溪路證券營業部)	No. 529-3 Xixi Road, West Lake District, Hangzhou, Zhejiang (浙江省杭州市西湖區西溪路529-3號)	2015.8.26	Wang Weifang (王偉芳)	0571-86538803

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
81	Hengtai Securities Co., Ltd Shenzhen Yitian Road Zhuoyue Times Securities Branch (恒泰证券股份有限公司深圳益田路卓越時代廣場證券營業部)	5007B-5008, 50/F, Zhuoyue Times Square, No. 4068 Yitian Road, Futian Street, Futian District, Shenzhen (廣東省深圳市福田區福田街道益田路4068號卓越時代廣場50樓5007B-5008)	2015.8.27	Wu Rongrong (伍榮榮)	0755-82801189
82	Hengtai Securities Co., Ltd Shanghai Yanan West Road Securities Branch (恒泰证券股份有限公司上海延安西路證券營業部)	Room 2607, No.1116 Yanan West Road, Changning District Shanghai (上海市長寧區延安西路1116號2607室)	2015.9.6	Xu Enlei (徐恩雷)	021-62379677
83	Hengtai Securities Co., Ltd Wenzhou Gu'an Road Securities Branch (恒泰证券股份有限公司温州古岸路證券營業部)	Room 001 and 014, 3/F, Building 1, Yixiang Business Building, Ouhai District, Wenzhou, Zhejiang (浙江省溫州市甌海區億象商廈第1幢3層001、014)	2015.9.6	Chen Kai (陳愷)	0577-88709188
84	Hengtai Securities Co., Ltd Shanghai Caoxi North Road Securities Branch (恒泰证券股份有限公司上海漕溪北路證券營業部)	Room 704, No.398 Caoxi North Road, Xuhui District, Shanghai (上海市徐匯區漕溪北路398號704室)	2015.9.10	Fu Duanyang (付端陽)	021-62785699
85	Hengtai Securities Co., Ltd Beijing, Beixinzhuang Road Securities Branch (恒泰证券股份有限公司北京北辛莊路證券營業部)	Room 308, Block A, Beiruanshuangxin Kechuangyuan, Beixinzhuang Road, Sijiqing Town, Haidian District, Beijing (北京市海澱區四季青鎮北辛莊路北軟雙新科創園A座308房間)	2015.9.14	Zhang Jia (張佳)	010-62596752
86	Hengtai Securities Co., Ltd Taizhou Shifu Avenue Securities Branch (恒泰证券股份有限公司台州市市府大道證券營業部)	No. 387 and 389 Shifu Avenue, Taizhou, Zhejiang (浙江省台州市市府大道387、389號)	2015.9.16	Yan Yueping (嚴躍平)	0576-89039186
87	Hengtai Securities Co., Ltd Guangzhou Tiyu West Road Securities Branch (恒泰证券股份有限公司廣州體育西路證券營業部)	Room 1205, No. 103 Tiyu West Road, Tianhe District, Guangzhou, Guangdong (廣東省廣州市天河區體育西路103號1205房)	2015.9.18	Zeng Jianyuan (曾建元)	020-38479013
88	Hengtai Securities Co., Ltd Shanghai Xujiahui Road Securities Branch (恒泰证券股份有限公司上海徐家匯路證券營業部)	Room 19C, No. 555 Xujiahui Road, Huangpu District, Shanghai (上海市黃浦區徐家匯路555號19C室)	2015.9.21	Li Jingjing (李晶晶)	021-63083060
89	Hengtai Securities Co., Ltd Yantai Yingchun Avenue Securities Branch (恒泰证券股份有限公司煙臺迎春大街證券營業部)	Room 316, Tianhe Building Annex, 163 Yingchun Avenue, Laishan District, Yantai, Shandong (山東省煙臺市萊山區迎春大街163號天和大廈附樓316室)	2015.9.23	Xing Xiaoliang (邢曉亮)	0535-2106601
90	Hengtai Securities Co., Ltd Zhuhai Jiuzhou Avenue Fuhuali Securities Branch (恒泰证券股份有限公司珠海九洲大道富華里證券營業部)	No. 01, 7/F, Block A, Fuhuali Center Office, 2021 Jiuzhou Avenue West, Zhuhai, Guangdong (廣東省珠海市九洲大道西2021號富華里中心寫字樓A座7層01號)	2015.9.30	Guo Xiangfu (郭相甫)	0756-8626355

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
91	Hengtai Securities Co., Ltd Shijiazhuang Huaian Road Securities Branch (恒泰证券股份有限公司石家庄槐安路证券营业部)	No. 1805, Ximei Wuzhou Building, Yaqing Street, Yuhua District, Shijiazhuang, Hebei (河北省石家庄市裕华区雅清街西美五洲大厦1805号)	2015.10.9	Lv Haijun (吕海军)	0311-66500778
92	Hengtai Securities Co., Ltd Shenzhen Longcheng Street Securities Branch (恒泰证券股份有限公司深圳龙城大道证券营业部)	Unit 1208, Zhengzhong Times Building, No.89 Longcheng Avenue, Longcheng Street, Shenzhen, Guangdong (广东省深圳市龙岗区龙城街道龙城大道89号正中时代大厦1208单元)	2015.10.9	Long Xiaoling (龙小玲)	0755-89452231
93	Hengtai Securities Co., Ltd Shenzhen Fuzhong Road North Securities Branch (恒泰证券股份有限公司深圳福中路北证券营业部)	Room 1603, New World Center, No.6009, Yitian Road, Lianhua Street, Futian District, Shenzhen, Guangdong (广东省深圳市福田区莲花街道益田路6009号新世界商务中心1603室)	2015.10.9	Shen Jing (沈静)	0755-23909699
94	Hengtai Securities Co., Ltd Jiaxing Huanyuan Road Securities Branch (恒泰证券股份有限公司嘉兴花园路证券营业部)	Room 210, No. 892 Huanyuan Road, Jiaxing, Zhejiang (浙江省嘉兴市花园路892号210室)	2015.10.13	Wang Shengao (王沈昊)	0573-83901338
95	Hengtai Securities Co., Ltd Taiyuan Pingyang Road Securities Branch (恒泰证券股份有限公司太原平阳路证券营业部)	Shop 1001,1002 & 1003, 3/F, 14#, No. 65, Pingyang Road, Xiaodian District, Taiyuan, Shanxi (山西省太原市小店区平阳路65号14#三层1001、1002、1003号商铺)	2015.10.13	Xie Yueqing (谢岳卿)	0351-3958073
96	Hengtai Securities Co., Ltd Shanghai Huanyuan Road Securities Branch (恒泰证券股份有限公司上海花园路证券营业部)	Room 1717, No. 16 Huayuan Road, Hongkou District, Shanghai (上海市虹口区花园路16号1717室)	2015.10.13	Bu Feng (蒲锋)	021-66081821
97	Hengtai Securities Co., Ltd Shanghai Shangzhong Road Securities Branch (恒泰证券股份有限公司上海上中路证券营业部)	Room 509, 5th Floor, Block B, No. 495 Shangzhong Road, Xuhui District, Shanghai (上海市徐汇区上中路495号B座5楼509室)	2015.10.19	Huang Dan (黄丹)	021-64321658
98	Hengtai Securities Co., Ltd Liuzhou Tianshan Road Securities Branch (恒泰证券股份有限公司柳州天山路证券营业部)	2-2-9 Tianshangcheng Community, No.245 Shuinan Road, Liuzhou, Guangxi (广西省柳州市水南路245号天山上城小区2-2-9号)	2015.10.21	WuXinghua (吴兴华)	0772-8807519
99	Hengtai Securities Co., Ltd Nanning Minzu Avenue Securities Branch (恒泰证券股份有限公司南宁民族大道证券营业部)	Room 2207 and 2208, 22/F, Bogongguoji, No.127 Minzu Avenue, Qingxiu District, Nanning, Guangxi (广西省南宁市青秀区民族大道127号铂宫国际22楼2207、2208号房)	2015.10.27	Qu Chi (区驰)	0771-5535796

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
100	Hengtai Securities Co., Ltd Beijing Dongsanhuan North Road Securities Branch (恒泰证券股份有限公司北京東三環北路證券營業部)	06A09, 5/F, No. 2 Dongsanhuan North Road, Chaoyang District, Beijing (北京市朝陽區東三環北路2號5層06A09)	2015.11.2	Lin Pu (蔭璞)	010-84464188
101	Hengtai Securities Co., Ltd Shanghai Qihe Road Securities Branch (恒泰证券股份有限公司上海齊河路證券營業部)	Block B, 1/F, 251 Qihe Road, Pudong District, Shanghai (上海市浦東新區齊河路251號一層B座)	2015.11.3	Chen Jiangong (陳建功)	021-58567577
102	Hengtai Securities Co., Ltd Hangzhou Wujiang Road Securities Branch (恒泰证券股份有限公司杭州婺江路證券營業部)	Room 1806, Building 1, No. 217 Wujiang Road, Shangcheng District, Hangzhou, Zhejiang (浙江省杭州市上城區婺江路217號1號樓1806室)	2015.11.3	Wang Bao (王寶)	0571-86979032103
103	Hengtai Securities Co., Ltd Rui'an Gongruishan Road Securities Branch (恒泰证券股份有限公司瑞安拱瑞山路證券營業部)	No. 422 and 424 Gongruishan Road Anyang Street, Rui'an, Zhejiang (浙江省瑞安市安陽街道拱瑞山路422、424號)	2015.11.9	Jin Hairu (金海茹)	0577-66889168
104	Hengtai Securities Co., Ltd Beijing Xinhua Avenue Securities Branch (恒泰证券股份有限公司北京新華大街證券營業部)	Room 2302,23/F, Building 3, No.58 Xinhua West Street, Tongzhou District, Beijing (北京市通州區新華西街58號院3號樓23層2302)	2015.11.11	Miao Zhenyu (苗振宇)	010-85772321
105	Hengtai Securities Co., Ltd Wuhan Yanjiang Avenue Securities Branch (恒泰证券股份有限公司武漢沿江大道證券營業部)	No.1 Tianjin Road, Yanjiang Avenue, Jiangan District, Wuhan, Hubei (湖北省武漢市江岸區沿江大道天津路1號)	2015.11.18	Li Jing (李晶)	027-82300618
106	Hengtai Securities Co., Ltd Shenzhen Xinwen Road Securities Branch (恒泰证券股份有限公司深圳新聞路證券營業部)	Room 13C, Shenmao Commerce Center, No.59 Xinwen Road, Lianhua Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區蓮花街道新聞路59號深茂商業中心13C)	2015.11.24	Sun Rui (孫睿)	0755-82529525
107	Hengtai Securities Co., Ltd Shanghai Boshan Road Securities Branch (恒泰证券股份有限公司上海博山路證券營業部)	Room 109B and Room C, No. 6, Lane 202, Boshan Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區博山路202弄6號109B、C室)	2015.12.9	Chen Haiming (陳海明)	021-68781070
108	Hengtai Securities Co., Ltd Beijing Nanhu South Road Securities Branch (恒泰证券股份有限公司北京南湖南路證券營業部)	Room 102, Building 4, No. 16 Nanhu South Road, Chaoyang District, Beijing (北京市朝陽區南湖南路16號院4號樓102室)	2015.12.12	Zhang Ge (張戈)	010-64738862

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
109	Hengtai Securities Co., Ltd ShenYang Yunfeng Street Securities Branch (恒泰证券股份有限公司瀋陽雲峰街證券營業部)	(3 Door) No. 15-1 Yunfeng North Street, Tiexi District, Shenyang, Liaoning (遼寧省瀋陽市鐵西區雲峰北街15-1號(3門))	2015.12.14	Gao Xiufeng (高秀峰)	024-82573500
110	Hengtai Securities Co., Ltd Beijing Wanfeng Road Securities Branch (恒泰证券股份有限公司北京萬豐路證券營業部)	Unit A2-13, 2/F, Block A, Wankai Central, No. 316 Wanfeng Road, Fengtai District, Beijing (北京市豐台區萬豐路316號萬開中心A座2層A2-13單元)	2015.12.14	Xue Fenxia (薛粉霞)	010-83669805
111	Hengtai Securities Co., Ltd Shenzhen Jintian Road Securities Branch (恒泰证券股份有限公司深圳金田路證券營業部)	30A, Shidai-Caifu Building, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區福田街道福田區時代財富大廈30A)	2015.12.16	Liu Zhenfu (劉真富)	0755-23913045
112	Hengtai Securities Co., Ltd Hangzhou Fuchun Road Securities Branch (恒泰证券股份有限公司杭州富春路證券營業部)	Room 1006, Building 3, Qianjiang International Times Square, Jianggan District, Hangzhou, Zhejiang (浙江省杭州市江幹區區錢江國際時代廣場3幢1006室)	2015.12.16	Zhuang Bin (莊斌)	0571-87899203
113	Hengtai Securities Co., Ltd Shaoxing Shengli Road Securities Branch (恒泰证券股份有限公司紹興勝利路證券營業部)	Room 1301, Shimao horizon Center, No. 379 Shengli East Road, Shaoxing, Zhejiang (浙江省紹興市勝利東路379號世茂天際中心1301室)	2016.1.18	Liu Lingyu (劉玲玉)	0575-88002391
114	Hengtai Securities Co., Ltd Huizhou Bailuhu Securities Branch (恒泰证券股份有限公司惠州白鷺湖證券營業部)	Room 07, 1/F, Building 4, Hubin Fengqing Commercial Street, Yajule Avenue, Ruhu Town, Huicheng District, Huizhou, Guangdong (廣東省惠州市惠城區汝湖鎮雅居樂大道1號湖濱風情商業街4棟1層07號)	2016.1.18	Liu Wei (劉威)	0752-7399393
115	Hengtai Securities Co., Ltd Tianjin Changjiang Avenue Securities Branch (恒泰证券股份有限公司天津長江道證券營業部)	Room 602, Rongqiao Center Office Building, the intersection of Changjiang Avenue and Nankai Sixth Road, Nankai District, Tianjin (天津市南開區長江道與南開六馬路交口融橋中心寫字樓602室)	2016.1.19	Li Qiang (李強)	022-83698158
116	Hengtai Securities Co., Ltd Shenzhen Jintian Road Golden Central Tower Securities Branch (恒泰证券股份有限公司深圳金田路金中環證券營業部)	Room 4702, Golden Central Tower, No.3037 Jintian Road, Futian Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區福田街道金田路3037號金中環商務大廈4702房)	2016.1.21	Mai Lv (麥綠)	0755-22922980
117	Hengtai Securities Co., Ltd Shangyu Civic Blvd Securities Branch (恒泰证券股份有限公司上虞市民大道證券營業部)	8/F, Wuzhou Tower, Civic Blvd, Baiguan Avenue, Shangyu District, Shaoxing, Zhejiang (浙江省紹興市上虞區百官街道市民大道五洲大廈8樓)	2016.1.27	Xu Min (徐敏)	0575-82000820

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
118	Hengtai Securities Co., Ltd Shanghai Xinjinqiao Road Securities Branch (恒泰证券股份有限公司上海新金橋路證券營業部)	Room 303, Unit 7, No. 1599 Xinjinqiao Road, (Shanghai) Pilot Free Trade Zone, Shanghai, China (中國(上海)自由貿易試驗區新金橋路1599號7幢303室)	2016.1.28	Fu Lei (付磊)	021-60758505
119	Hengtai Securities Co., Ltd Changsha Jinxing Road Securities Branch (恒泰证券股份有限公司长沙金星路證券營業部)	Room 1806, 18/F, Office Building, Jiaxing International Grand Hotel, No. 67 Xianjiahu West Road, Yuelu District, Changsha, Hunan (湖南省長沙市岳麓區鹹嘉湖西路67號佳興國際大酒店寫字樓18樓1806房)	2016.1.29	Zhou Guanliang (周冠良)	0731-83091899
120	Hengtai Securities Co., Ltd Shanghai Zhongshan West Road Securities Branch (恒泰证券股份有限公司上海中山西路證券營業部)	Room 904, No.1065 Zhongshan West Road, Changning District, Shanghai (上海市長寧區中山西路1065號904室)	2016.2.2	Feng Yuangang (馮元剛)	021-23560170
121	Hengtai Securities Co., Ltd Zhengzhou Nanyang Road Securities Branch (恒泰证券股份有限公司鄭州南陽路證券營業部)	Room 1 East, 1/F and 2/F, Building 24, No. 206 Nanyang Road, Jinshui District, Zhengzhou, Henan (河南省鄭州市金水區南陽路206號24號樓1-2層東1號)	2016.2.15	Shi Jin (史進)	0371-55268382
122	Hengtai Securities Co., Ltd Shenzhen Qianhai Securities Branch (恒泰证券股份有限公司深圳前海證券營業部)	Room 201, Block A, 1 Qianwan First Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen (9J, Fengye Tower, Nanshan Avenue, Nanshan District, Shenzhen) (廣東省深圳市前海深港合作區前灣一路1號A棟201室 (深圳市南山區南山大道楓葉大廈9J))	2016.2.24	He Ling (何玲)	0755-86969582
123	Hengtai Securities Co., Ltd Dalian Huizhan Road Securities Branch (恒泰证券股份有限公司大連會展路證券營業部)	Room 2 and 3, 11/F, Building 3, No. 67 Huizhan Road, Shahekou District, Dalian, Liaoning (遼寧省大連市沙河口區會展路67號3單元11層2、3號)	2016.3.16	Lv Xuan (呂宣)	0411-82310300
124	Hengtai Securities Co., Ltd Zibo Jinjing Road Securities Branch (恒泰证券股份有限公司淄博金晶路證券營業部)	Shop 22, Yijielongfengyuan Community, Jinjing Road, Boshan District, Zibo, Shandong (山東省淄博市博山區金晶路益傑龍鳳緣小區二十二號商鋪)	2016.3.17	Li Lei (李雷)	0533-4913277
125	Hengtai Securities Co., Ltd Linyi Fuqian Road Securities Branch (恒泰证券股份有限公司臨沂府前路證券營業部)	18/F, Block A, Culture Center, Fuqian Road, Liuding Avenue, Lanshan District, Linyi, Shandong (山東省臨沂市蘭山區柳青街道府前路文化中心A座18層)	2016.3.17	Wang Jingbao (王京寶)	0539-8609006
126	Hengtai Securities Co., Ltd Xianyou 825 Street Securities Branch (恒泰证券股份有限公司仙游八二五大街證券營業部)	3/F, Lanxihuayuan Premises, No. 45 825 Street, Licheng Avenue, Xianyou County, Putian, Fujian (福建省莆田市仙遊縣鯉城街道八二五大街45號蘭溪花園樓盤第三層)	2016.3.25	Zheng Zhangwen (鄭章文)	0594-8097766

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
127	Hengtai Securities Co., Ltd Xi'an Qujiangchi North Road Securities Branch (恒泰证券股份有限公司西安曲江池北路證券營業部)	Room 20102, 1/F, Unit 2, Building 10, Qujiang Residence Heyuan, Qujiangchi North Road, Qujiang New District, Xi'an, Shaanxi (陝西省西安曲江新區曲江池北路曲江公館和園10幢2單元1層20102號)	2016.3.29	Wang Hao (王浩)	029-89132956
128	Hengtai Securities Co., Ltd Shenzhen Xianglin Road Securities Branch (恒泰证券股份有限公司深圳香林路證券營業部)	11MLN, Block A, Haoming Fortune Plaza, No. 7002 Shennan Blvd, Xiangmihu Avenue, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區香蜜湖街道深南大道7002浩銘財富廣場A座11MLN)	2016.4.6	Wu Gang (吳剛)	0755-83980166
129	Hengtai Securities Co., Ltd Dongguan Huangjiang Securities Branch (恒泰证券股份有限公司東莞黃江證券營業部)	No.1007, 10/F, Fukang Commercial Building, Fukang Garden, Banhu Village, Huangjiang Town, Dongguan, Guangdong (廣東省東莞市黃江鎮板湖村富康花園富康商業大廈10樓1007號)	2016.4.6	Hu Jiao (胡姣)	0769-82226576
130	Hengtai Securities Co., Ltd Wenzhou Haichuan Road Securities Branch (恒泰证券股份有限公司溫州海川路證券營業部)	No. 22 Haichuan Road, Haicheng Avenue, Longwan District, Wenzhou, Zhejiang (浙江省溫州市龍灣區海城街道海川路22號)	2016.4.8	Feng Xiao (馮笑)	0577-85228658
131	Hengtai Securities Co., Ltd Shenzhen Gaoxinnan No. 1 Road Securities Branch (恒泰证券股份有限公司深圳高新南一道證券營業部)	Room 104, Block A, Skyworth Building, No. 8 Gaoxinnan No. 1 Road, Yuehai Avenue, Nanshan District, Shenzhen, Guangdong (廣東省深圳市南山區粵海街道高新南一道008號創維大廈A座104室)	2016.4.12	Yin Wenzhu (印文柱)	0755-26911575
132	Hengtai Securities Co., Ltd Guangzhou Tianhe North Road Securities Branch (恒泰证券股份有限公司廣州天河北路證券營業部)	Room 1505, Office Tower, CITIC Plaza, No. 233 Tianhe North Road, Tianhe District, Guangzhou, Guangdong (廣東省廣州市天河區天河北路233號中信廣場辦公大樓1505室)	2016.4.13	Liu Haitao (劉海濤)	020-38909661
133	Hengtai Securities Co., Ltd Fuzhou Software Avenue Securities Branch (恒泰证券股份有限公司福州軟件大道證券營業部)	Room B, 24/F, Building 3, Block F, Fuzhou Software Park, No.89 Software Avenue, Gulou District, Fuzhou, Fujian (福建省福州市鼓樓區軟件大道89號福州軟件園F區3號樓24層B)	2016.4.14	Zhou Xin (周頌)	0591-83300507
134	Hengtai Securities Co., Ltd Beijing Jiancaicheng West Road Securities Branch (恒泰证券股份有限公司北京建材城西路證券營業部)	Room 907, Unit 2, 9/F, Building 2, No. 87 Courtyard, Jiancaicheng West Road, Huilongguan Town, Chanping District, Beijing (北京市昌平區回龍觀鎮建材城西路87號院2號樓9層2單元907)	2016.4.15	Zhang Xiaoming (張曉明)	010-82916166
135	Hengtai Securities Co., Ltd Beijing Qingnian Road Securities Branch (恒泰证券股份有限公司北京青年路證券營業部)	Room 31804, 18/F, Building 3, No. 7 Courtyard, Qingnian Road, Chaoyang District, Beijing (北京市朝陽區青年路7號院3號樓18層31804房)	2016.4.22	Zhang Weiqing (張偉清)	010-87141707

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (in China)	Date of incorporation	Person in charge	Contact No. (+86)
136	Hengtai Securities Co., Ltd Shenzhen Longxiang Blvd Securities Branch (恒泰证券股份有限公司深圳龍翔大道證券營業部)	Room 1308, Vanke Tower, Longxiang Blvd, Longcheng Avenue, Longgang District, Shenzhen, Guangdong (廣東省深圳龍崗區龍城街道龍翔大道萬科大廈1308)	2016.4.25	Zhu Ming (朱明)	0755-88312899
137	Hengtai Securities Co., Ltd Shanghai Changliu Road Securities Branch (恒泰证券股份有限公司上海長柳路證券營業部)	Room 1904, No.56-62 (Even) Changliu Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區長柳路56-62號(雙)1904室)	2017.2.17	Shi Hui (施輝)	021-58358085
138	Hengtai Securities Co., Ltd Ningbo Yongjiang Avenue Securities Branch (恒泰证券股份有限公司寧波甬江大道證券營業部)	(2-2) Block 005, No. 48, Block 6, No. 168 Yongjiang Avenue, Yinzhou District, Ningbo, Zhejiang (浙江省寧波市鄞州區甬江大道168號6幢48號005幢(2-2)號)	2017.2.24	Chen Lin (陳麟)	0574-55337786
139	Hengtai Securities Co., Ltd Beijing Jianguomen Nei Avenue Securities Branch (恒泰证券股份有限公司北京建國門內大街證券營業部)	Room 0510, Zhongfang Building, No. 19 Jianguomen Nei Avenue, Dongcheng District, Beijing (北京市東城區建國門內大街19號中紡大廈0510室)	2017.2.27	Wu Xiaohui (伍小輝)	010-65262718
140	Hengtai Securities Co., Ltd Beijing Financial Street Second Securities Branch (恒泰证券股份有限公司北京金融大街第二證券營業部)	Room 1001, 10/F, Building 17, Nos. 17, 17A, 17B, and 17C Finance Street, Xicheng District, Beijing (北京市西城區金融大街17號、甲17號、乙17號、丙17號17號樓10層1001)	2017.3.6	Dong Feng(董峰)	010-83270881
141	Hengtai Securities Co., Ltd Beijing Guang'an Road Securities Branch (恒泰证券股份有限公司北京廣安路證券營業部)	Rooms 0414-0415, 4/F, Building 3, No. 9 Guang'an Road, Fengtai District, Beijing (北京市豐台區廣安路9號院3號樓4層0414、0415室)	2017.3.17	Liu Yuqing (劉宇清)	010-63361221
142	Hengtai Securities Co., Ltd Chengdu Renmin South Road Securities Branch (恒泰证券股份有限公司成都人民南路證券營業部)	No. 1001, Building 2, Shangshan Guoji, No.46-1 Renmin South Road Forth Portion, Wuhou District, Chengdu, Sichuan (四川省成都市武侯區人民南路四段46號附1號上善國際2棟1001號)	2017.4.24	Peng Yan (彭彥)	028-85011007
143	Hengtai Securities Co., Ltd Beijing Beichen West Road Securities Branch (恒泰证券股份有限公司北京北辰西路證券營業部)	1009, Unit 4, 9-10/F, No.69 Beichen West Road, Chaoyang District, Beijing (北京市朝陽區北辰西路69號9至10層4單元1009)	2017.5.8	Li Jian Jun (李建軍)	010-58772228
144	Hengtai Securities Co., Ltd Shenzhen Tonggu Road Securities Branch (恒泰证券股份有限公司深圳銅鼓路證券營業部)	Unit 34E1,Block E,Building 6, Dachong Business Center (Block E, CR Land Building), No. 9672 Shennan Blvd, Nanshan District, Shenzhen, Guangdong (廣東省深圳市南山區沙河街道深南大道9672號大沖商務中心6號樓E座(華潤置地大廈E座)34E1單元)	2017.5.10	Hao Ying (郝瑩)	0755-86713626



# Independent Auditor's Report



## TO THE SHAREHOLDERS OF HENGTU SECURITIES

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

## OPINION

We have audited the consolidated financial statements of Hengtou Securities (the “Company”) and its subsidiaries (the “Group”) set out on pages 186 to 300, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). 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 HKICPA's 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 (Continued)

## 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 year. 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. The key audit matters we identified are:

1. Consolidation of assets management schemes;
2. Fair value measurements;
3. Information technology ("IT") system and control; and
4. Impairment assessment of financial assets.

# Independent Auditor's Report (Continued)

## KEY AUDIT MATTERS (CONTINUED)

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Consolidation of assets management schemes

Refer to Note 53 to the consolidated financial statements

The Group has investments in a number of assets management schemes where it acts as manager (the "Schemes").

Generally, the Group will have power over the relevant activities of the Schemes under the authority delegated to it through the management agreements and will be exposed to variability of returns through its remuneration, including management and performance fees, and its investments in the Schemes.

In order to determine whether the Group has control over the Schemes, IFRS 10 "Consolidated Financial Statements" ("IFRS 10") requires that management assess whether the Group has the ability to use its power to affect its returns from its involvement with the Schemes ("Linkage"). In making this assessment, management mainly focuses on two key indicators of Linkage: the strength of any kick-out rights held by other parties in the Schemes and the Group's aggregate economic interests in the Schemes (including both its remuneration and investments). The assessment involves significant management estimation and judgement in evaluating whether the combination of kick-out rights and aggregate economic interests result in control of the Schemes.

Our procedures in relation to consolidation of the Schemes included:

- Assessing each arrangement against the relevant requirements in IFRS 10 to determine whether management's treatment in the consolidated financial statements was appropriate;
- For significant arrangements, reviewing the key contractual provisions of the relevant legal documents including the management agreements; and
- For significant arrangements, checking the data adopted and the accuracy of the calculations made by management in assessing the variability associated with the Group's aggregate economic interests relative to the total variability of returns of the Schemes.

# Independent Auditor's Report (Continued)

## KEY AUDIT MATTERS (CONTINUED)

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Fair value measurements

Refer to Note 58 to the consolidated financial statements

As at 31 December 2017, the Group's available-for-sale financial assets and financial assets at fair value through profit or loss categorised as level 3 amounted to approximately RMB1,060.76 million. Determination of their fair values involves significant management estimation, particularly the selection of unobservable inputs. At each reporting date, the available-for-sale financial assets and financial assets at fair value through profit or loss are measured at fair value. These fair value measurements have significant impact to the financial performance and position of the Group.

Our procedures in relation to fair value measurements included:

- Assessing whether the valuation methodologies adopted by management were appropriate;
- Testing the evidence supporting the unobservable inputs utilised in the level 3 fair value measurements; and
- Evaluating the adequacy of the level 3 fair value measurement disclosures in the consolidated financial statements.

# Independent Auditor's Report (Continued)

## KEY AUDIT MATTERS (CONTINUED)

### Key Audit Matter

#### IT system and control

The Group is highly dependent on the IT system to handle a significant number of transactions for its brokerage business on a daily basis. The adequacy and effective operation of the controls over the IT system is critical to the integrity of the Group's financial reporting process.

### How our audit addressed the Key Audit Matter

Our procedures in relation to IT system and control included:

- Meeting with the persons responsible for the Group's IT matters and reviewing relevant documents to understand the general IT control environment, in particular controls over the system development, management of system change, system maintenance and data security;
- Testing the general IT controls to ensure that key control procedures were operating effectively;
- Understanding the design and operation of controls over IT applications related to the trading and margin financing systems; and
- Testing, on sampling basis, the accounting inputs and the relevant inputs in the application system to ensure the consistency, and evaluate the effectiveness of the application control.

# Independent Auditor's Report (Continued)

## KEY AUDIT MATTERS (CONTINUED)

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Impairment assessment of financial assets

Refer to Notes 29, 30 and 34 to the consolidated financial statements.

As at 31 December 2017, the Group has available-for-sale financial assets, financial assets held under resale agreements and margin account receivables with carrying amounts of RMB1,740 million, RMB1,662 million and RMB5,323 million respectively.

The Group assesses whether there is objective evidence of impairment assets at each reporting date. If such evidence exists, any impairment losses are determined in accordance with the accounting policies applicable to each category. The identification of objective evidence of impairment and the determination of any impairment involves significant management judgement and estimates.

Our procedures in relation to impairment assessment of financial assets included:

- Understanding managements impairment assessment processes and assessing the effectiveness of the related internal controls;
- Assessing whether impairment indications existed for each category of financial assets by examining market prices, credit ratings and financial information and comparing the results to management's assessment; and
- For those financial assets where objective evidence of impairment was identified, assessing the appropriateness of impairment losses determined by management by evaluating the appropriateness of the models and inputs used and recalculating the results.

# Independent Auditor's Report (Continued)

## **OTHER INFORMATION**

The directors are responsible for the Other Information. The Other Information comprises all the information included in the annual report other than 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

## Independent Auditor's Report (Continued)

### **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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, 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.



## Independent Auditor's Report (Continued)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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.
- 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 the Audit Committee 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 the Audit Committee 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.

## Independent Auditor's Report (Continued)

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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 this independent auditor's report is Liu Eugene.

#### **RSM Hong Kong**

*Certified Public Accountants*

Hong Kong

28 March 2018

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	<b>2017</b>	2016
<b>Revenue</b>			
Fees and commission income	7	<b>1,945,058</b>	2,281,186
Interest income	8	<b>862,421</b>	819,524
Net investment income	9	<b>1,091,954</b>	420,528
<b>Total revenue</b>		<b>3,899,433</b>	3,521,238
Other income and gains	10	<b>15,220</b>	19,917
<b>Total revenue and other income</b>		<b>3,914,653</b>	3,541,155
Fees and commission expenses	11	<b>(156,585)</b>	(165,709)
Interest expenses	12	<b>(743,113)</b>	(691,424)
Staff costs	13	<b>(1,086,402)</b>	(1,150,944)
Depreciation and amortisation	14	<b>(93,074)</b>	(81,324)
Taxes and surcharges		<b>(19,373)</b>	(73,402)
Other operating expenses	15	<b>(766,092)</b>	(728,470)
Impairment losses	16	<b>(35,423)</b>	(6,182)
<b>Total operating expenses</b>		<b>(2,900,062)</b>	(2,897,455)
<b>Operating profit</b>		<b>1,014,591</b>	643,700
Share of profits less losses of associates		<b>(1,686)</b>	(1,123)
<b>Profit before tax</b>		<b>1,012,905</b>	642,577
Income tax expense	17	<b>(243,834)</b>	(120,425)
<b>Profit for the year</b>		<b>769,071</b>	522,152
<b>Attributable to:</b>			
Ordinary shareholders of the Company		<b>706,202</b>	454,723
Non-controlling interests		<b>62,869</b>	67,429
		<b>769,071</b>	522,152
<b>Earnings per share</b>			
Basic and diluted	18	<b>RMB0.23</b>	RMB0.14

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	<b>2017</b>	2016
<b>Profit for the year</b>		<b>769,071</b>	522,152
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Available-for-sale financial assets:			
Net movement in the investment revaluation reserve		<b>302,534</b>	32,128
<b>Other comprehensive income for the year, net of tax</b>	21	<b>302,534</b>	32,128
<b>Total comprehensive income for the year</b>		<b>1,071,605</b>	554,280
<b>Attributable to:</b>			
Ordinary shareholders of the Company		<b>1,009,159</b>	487,749
Non-controlling interests		<b>62,446</b>	66,531
		<b>1,071,605</b>	554,280

# Consolidated Statement of Financial Position

As at 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	<b>2017</b>	2016
<b>Non-current assets</b>			
Property and equipment	23	<b>516,773</b>	510,056
Investment properties	24	<b>18,288</b>	19,114
Goodwill	25	<b>43,739</b>	43,739
Intangible assets	26	<b>117,464</b>	99,717
Interests in associates	28	<b>16,101</b>	7,958
Available-for-sale financial assets	29	<b>1,343,855</b>	2,398,865
Financial assets held under resale agreements	30	<b>614,910</b>	614,910
Refundable deposits	31	<b>614,506</b>	466,710
Deferred tax assets	32	<b>112,194</b>	90,192
Other non-current assets	33	<b>66,495</b>	186,012
<b>Total non-current assets</b>		<b>3,464,325</b>	4,437,273
<b>Current assets</b>			
Margin account receivables	34	<b>5,322,835</b>	5,145,143
Other current assets	35	<b>585,448</b>	697,760
Available-for-sale financial assets	29	<b>396,444</b>	1,366,097
Financial assets held under resale agreements	30	<b>1,046,749</b>	915,323
Financial assets at fair value through profit or loss	36	<b>12,997,560</b>	8,322,935
Cash held on behalf of brokerage clients	37	<b>9,491,666</b>	11,947,659
Clearing settlement funds	38	<b>773,387</b>	1,109,951
Cash and bank balances	39	<b>2,338,573</b>	3,206,455
<b>Total current assets</b>		<b>32,952,662</b>	32,711,323
<b>Total assets</b>		<b>36,416,987</b>	37,148,596
<b>Current liabilities</b>			
Debt instruments	41	<b>1,500,000</b>	3,132,624
Placements from a financial institution	42	<b>700,000</b>	900,000
Account payables to brokerage clients	43	<b>10,028,333</b>	12,201,337
Employee benefit payables	44	<b>415,732</b>	515,352
Other current liabilities	45	<b>3,626,753</b>	1,695,912
Current tax liabilities		<b>74,330</b>	124,548
Financial assets sold under repurchase agreements	46	<b>5,065,778</b>	4,993,186
<b>Total current liabilities</b>		<b>21,410,926</b>	23,562,959
<b>Net current assets</b>		<b>11,541,736</b>	9,148,364
<b>Total assets less current liabilities</b>		<b>15,006,061</b>	13,585,637

# Consolidated Statement of Financial Position (Continued)

As at 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	<b>2017</b>	2016
<b>Non-current liabilities</b>			
Debt instruments	41	<b>3,344,857</b>	3,040,000
Financial assets sold under repurchase agreements	46	<b>590,000</b>	600,000
Deferred revenue		<b>6,938</b>	8,090
Deferred tax liabilities	32	<b>121,834</b>	1,342
<b>Total non-current liabilities</b>		<b>4,063,629</b>	3,649,432
<b>NET ASSETS</b>		<b>10,942,432</b>	9,936,205
<b>Equity</b>			
Share capital	47(a)	<b>2,604,567</b>	2,604,567
Share premium	47(b)	<b>1,665,236</b>	1,665,236
Perpetual capital securities	48	<b>1,500,000</b>	1,500,000
Reserves	49	<b>4,801,474</b>	3,891,157
<b>Total equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities</b>		<b>10,571,277</b>	9,660,960
<b>Non-controlling interests</b>		<b>371,155</b>	275,245
<b>TOTAL EQUITY</b>		<b>10,942,432</b>	9,936,205

Approved by the Board of Directors on 28 March 2018 and are signed on its behalf by:

**Pang Jiemin**

*Chairman of Board of Directors*

**Wu Yigang**

*Vice Chairman of Board of Directors*

**Yang Shufei**

*Chief Financial Officer*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to ordinary shareholders of the Company and holders of perpetual capital securities										Non-controlling interests	Total equity
	Share capital	Share premium	Perpetual capital securities	Surplus reserve	General risk reserve	Transaction risk reserve	Investment revaluation reserve	Retained profits	Total			
	Note 47(a)	Note 47(b)	Note 48	Note 49(a)	Note 49(b)	Note 49(c)	Note 49(d)					
<b>At 1 January 2016</b>	2,604,567	1,661,236	1,500,000	425,812	537,026	518,253	54,324	2,230,450	9,531,668	201,364	9,733,032	
Total comprehensive income for the year	-	-	-	-	-	-	33,026	454,723	487,749	66,531	554,280	
Dividends paid (Note 22)	-	-	-	-	-	-	-	(362,457)	(362,457)	-	(362,457)	
Capital contribution by non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	7,350	7,350	
Appropriation to surplus reserve	-	-	-	23,388	-	-	-	(23,388)	-	-	-	
Appropriation to general risk reserve	-	-	-	-	61,571	-	-	(61,571)	-	-	-	
Appropriate to transaction risk reserve	-	-	-	-	-	29,038	-	(29,038)	-	-	-	
Others	-	4,000	-	-	-	-	-	-	4,000	-	4,000	
Changes in equity for the year	-	4,000	-	23,388	61,571	29,038	33,026	(21,731)	129,292	73,881	203,173	
<b>At 31 December 2016</b>	2,604,567	1,665,236	1,500,000	449,200	598,597	547,291	87,350	2,208,719	9,660,960	275,245	9,936,205	
<b>At 1 January 2017</b>	2,604,567	1,665,236	1,500,000	449,200	598,597	547,291	87,350	2,208,719	9,660,960	275,245	9,936,205	
Total comprehensive income for the year	-	-	-	-	-	-	302,957	706,202	1,009,159	62,446	1,071,605	
Dividends paid (Note 22)	-	-	-	-	-	-	-	(102,000)	(102,000)	-	(102,000)	
Appropriation to surplus reserve	-	-	-	59,706	-	-	-	(59,706)	-	-	-	
Appropriation to general risk reserve	-	-	-	-	110,644	-	-	(110,644)	-	-	-	
Appropriate to transaction risk reserve	-	-	-	-	-	62,708	-	(62,708)	-	-	-	
Capital contribution to a subsidiary	-	-	-	-	-	-	-	3,158	3,158	(3,158)	-	
Capital contribution by non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	37,440	37,440	
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(818)	(818)	
Changes in equity for the year	-	-	-	59,706	110,644	62,708	302,957	374,302	910,317	95,910	1,006,227	
<b>At 31 December 2017</b>	2,604,567	1,665,236	1,500,000	508,906	709,241	609,999	390,307	2,583,021	10,571,277	371,155	10,942,432	

# Consolidated Statement of Cash Flows

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>1,012,905</b>	642,577
Adjustments for:		
Interest expenses	<b>743,113</b>	691,424
Share of profits less losses of associates	<b>1,686</b>	1,123
Depreciation and amortisation	<b>93,074</b>	81,324
Impairment losses	<b>35,423</b>	6,182
Loss/(gains) on disposal of property and equipment and intangible assets	<b>609</b>	(137)
Foreign exchange losses/(gains)	<b>1,663</b>	(1,647)
Net realised gains from disposal of available-for-sale financial assets	<b>(320,093)</b>	(139,037)
Dividend income and interest income from available-for-sale financial assets	<b>(1,239)</b>	(13,751)
Interest income from investments classified as receivables	–	(28,026)
Changes in fair value of financial instruments at fair value through profit or loss	<b>222,723</b>	228,521
Gains on disposal of subsidiaries	<b>(14,635)</b>	–
Operating profit before working capital changes	<b>1,775,229</b>	1,468,553
Refundable deposits	<b>(147,796)</b>	408,705
Receivables and prepayments	<b>88,955</b>	183,905
Margin account receivables	<b>(178,356)</b>	1,077,864
Financial assets held under resale agreements	<b>200,934</b>	(729,022)
Financial assets at fair value through profit or loss	<b>(4,897,348)</b>	1,344,291
Cash held on behalf of brokerage clients	<b>2,455,993</b>	1,836,405
Restricted bank deposits	<b>(53,885)</b>	(33,150)
Placements from other financial institutions	<b>(200,000)</b>	335,000
Account payables to brokerage clients	<b>(2,173,004)</b>	(1,776,221)
Employee benefit payables	<b>(92,360)</b>	(234,083)
Other payables and accruals	<b>1,947,583</b>	(726,568)
Financial assets sold under repurchase agreements	<b>62,592</b>	(1,139,727)
Financial liabilities at fair value through profit or loss	–	(22,136)
Cash (used in)/generated from operations	<b>(1,211,463)</b>	1,993,816
Income tax paid	<b>(302,050)</b>	(215,639)
Interest paid for operating activities	<b>(456,583)</b>	(393,571)
Net cash (used in)/generated from operating activities	<b>(1,970,096)</b>	1,384,606



# Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Notes</i>	<b>2017</b>	2016
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property and equipment and intangible assets		<b>1,066</b>	521
Dividend income and interest income received from available-for-sale financial assets		<b>3,767</b>	17,881
Proceeds from disposal of available-for-sale financial assets		<b>3,392,639</b>	779,742
Purchases of property and equipment, intangible assets and other non-current assets		<b>(118,468)</b>	(157,918)
Purchases of an associate		–	(98)
Purchases of available-for-sale financial assets		<b>(517,899)</b>	(1,774,831)
Refunded of purchases of an associate		–	98
Proceeds from disposal of subsidiaries	59(a)	<b>7,840</b>	–
Other net cash flows from investing activities		<b>20,000</b>	(56,975)
Net cash generated from/(used in) investing activities		<b>2,788,945</b>	(1,191,580)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital contribution by non-controlling shareholders of a subsidiary		<b>37,440</b>	7,350
Proceeds from issuance of debt instruments		<b>3,100,000</b>	4,340,000
Repayment of debt instruments		<b>(4,400,000)</b>	(2,795,250)
Interest paid for financing activities		<b>(280,215)</b>	(286,995)
Dividends paid		<b>(102,000)</b>	(362,457)
Other net cash flows from financing activities		<b>(78,969)</b>	(127,546)
Net cash (used in)/generated from financing activities		<b>(1,723,744)</b>	775,102
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(904,895)</b>	968,128
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>4,539,201</b>	3,569,426
Effect of foreign exchange rate changes		<b>(1,663)</b>	1,647
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	40	<b>3,632,643</b>	4,539,201

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 1. GENERAL INFORMATION

The Company was set up in Inner Mongolia Autonomous Region by Inner Mongolia Branch of People's Bank of China ("PBOC") in 1988. The Company has restructured into a joint stock company with limited liability pursuant to the approvals by the China Securities Regulatory Commission ("CSRC") in 2008. The Company has obtained securities institution license No. Z20815000 and business licence No. 150000000001019. The registered address of the Company is 14-18/F, Everbright Bank Building, Oriental Junzuo Block D, Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region. As at 31 December 2017, the share capital of the Company is RMB2,604,567,412.

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

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

## 2. ADOPTION OF NEW AND REVISED IFRSs

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out in Note 3.

### (b) Application of new and revised IFRSs

The IASB has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Group. However, the Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The effect of the amendments on the Group's consolidated financial statements has been the inclusion of additional disclosures in note 59(b).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 2. ADOPTION OF NEW AND REVISED IFRSs (CONTINUED)

### (c) New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised IFRSs include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IAS 40 Investment Property:	
Transfers of investment property	1 January 2018
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

#### IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 2. ADOPTION OF NEW AND REVISED IFRSs (CONTINUED)

### (c) New and revised IFRSs in issue but not yet effective (Continued)

#### IFRS 9 Financial Instruments (Continued)

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

#### (a) *Classification and measurement*

Debt securities currently classified as available-for-sale will be measured at fair value through other comprehensive income as the Group expects not only to hold these assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. The Group expects to irrevocably designate those listed and unlisted equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Fair value gains and losses on these instruments will no longer be recycled to profit or loss on disposal. Impairment losses on debt securities will be measured applying the general impairment model in IFRS 9 as described in (b) below and recognised in profit or loss. Impairment losses on equity securities will no longer be recognised in profit or loss but rather in other comprehensive income. In addition, the Group currently measures certain unlisted equity securities at cost less impairment. Under IFRS 9 these instruments will be measured at fair value.

#### (b) *Impairment*

IFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses.

#### (c) *Hedge accounting*

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group has assessed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9 and therefore it expects that the accounting for its hedging relationships will not be significantly impacted.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 2. ADOPTION OF NEW AND REVISED IFRSs (CONTINUED)

### (c) New and revised IFRSs in issue but not yet effective (Continued)

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained profits as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following area which is expected to be affected:

#### Timing of revenue recognition

Currently, revenue arising from the provision of brokerage, underwriting and sponsoring services are recognised at a single point in time. The brokerage business income and commission is recognised on a trade date basis when the relevant transaction are executed, and underwriting and sponsoring income are recognised upon service completion date, whereas the assets management, and advisory and custody services are recognised over time.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies three situations in which control of the promised good or service is regarded as being transferred over time:

- (a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 2. ADOPTION OF NEW AND REVISED IFRSs (CONTINUED)

### (c) New and revised IFRSs in issue but not yet effective (Continued)

#### Timing of revenue recognition (Continued)

If the contract terms and the entity's activities do not fall into any of these three situations, then under IFRS 15 the entity recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of brokerage, underwriting and sponsoring, assets management, advisory and custody services.

#### IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 2. ADOPTION OF NEW AND REVISED IFRSs (CONTINUED)

### (c) New and revised IFRSs in issue but not yet effective (Continued)

#### IFRS 16 Leases (Continued)

As disclosed in Note 52, as at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amounted to RMB171.089 million. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

#### IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation of IAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (1) Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: non-derivative financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets. The methods used to measure fair value are discussed further in Note 3(8).

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

### (2) Functional and presentation currency

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

### (3) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements on the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (4) Basis of consolidation

#### (i) Business combination

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

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

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

#### (ii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (4) Basis of consolidation (Continued)

#### (ii) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(8)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 3(4)(iii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 3(14)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (4) Basis of consolidation (Continued)

#### (iii) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 3(5) and 3(14)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. If the associate or the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (4) Basis of consolidation (Continued)

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

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

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

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(8)).

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (5) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (i) is greater than (ii), the excess is recognised as goodwill. When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 3(14)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### (6) Foreign currency

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's functional and presentation currency.

#### (ii) Transactions and balances in each entity's financial statements

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (6) Foreign currency (Continued)

#### (ii) Transactions and balances in each entity's financial statements (Continued)

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

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

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

### (7) Cash and cash equivalents

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

### (8) Financial instruments

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (8) Financial instruments (Continued)

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

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

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

Financial assets and financial liabilities are categorised as follows:

*Financial assets and financial liabilities at fair value through profit or loss (including financial assets and financial liabilities held for trading)*

A financial asset or financial liability is classified at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition when:

- the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;
- the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or
- the separation of the embedded derivatives from the financial instrument is prohibited.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (8) Financial instruments (Continued)

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

*Financial assets and financial liabilities at fair value through profit or loss (including financial assets and financial liabilities held for trading) (Continued)*

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

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 3(8)(iii)).

#### *Available-for-sale financial assets*

Available-for-sale financial assets include non-derivative financial assets that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities.

The investment in equity securities that do not have quoted price in active market and whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Dividend income from equity securities and interest income from debt securities calculated using the effective interest method is recognised in profit or loss. Foreign exchange gains or losses arising from change in the amortised cost of debts instrument are also recognised in profit or loss (see Note 3(6)). Impairment losses are recognised in profit or loss (see Note 3(8)(iii)).



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (8) Financial instruments (Continued)

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

##### *Available-for-sale financial assets (Continued)*

Other fair value changes, other than impairment losses (see Note 3(8)(iii)), are recognised in other comprehensive income and presented in the investment revaluation reserve within equity. When the investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

##### *Other financial liabilities*

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

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

#### (ii) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the year. Where other pricing models are used, inputs are based on market data at the end of the year.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (8) Financial instruments (Continued)

#### (ii) Fair value measurement (Continued)

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

#### (iii) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss is reviewed by the Group at the end of the year to determine whether there is objective evidence of impairment. If any such evidence exists, impairment losses are provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial assets and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes, but not limited to:

- significant financial difficulty of the borrower or issuer;
- a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for financial assets because of financial difficulties of the issuer;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (8) Financial instruments (Continued)

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

##### *Loans and receivables*

For account receivables that are assessed not to be impaired individually, the Group assess impairment losses on a collective basis. Loans and receivables are grouped for similar aging characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

##### *Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost net of any principal repayment and amortisation and the current fair value, less any impairment loss recognised previously in profit or loss.

Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

For the available-for-sale equity investment measured at fair value, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

If, in a subsequent period, the fair value of an impaired available-for-sale debt investments increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity investment is recognised in other comprehensive income.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (8) Financial instruments (Continued)

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

##### *Available-for-sale financial assets (Continued)*

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (8) Financial instruments (Continued)

#### (v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Group currently has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

#### (vi) Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all liabilities of the Group. Considerations received from issuance of equity instruments net of transaction costs are recognised in equity. Considerations and transaction costs paid by the Group for repurchasing its own equity instruments are deducted from equity.

#### (vii) Derivative financial instruments

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

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

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (9) Margin financing and securities lending

Margin financing and securities lending refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral.

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

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

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

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the consolidated statements of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the consolidated statements of financial position.

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (11) Property and equipment and construction in progress

#### (i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (see Note 3(14)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Costs of construction in progress are determined based on the actual expenditures incurred which include all necessary expenditures incurred during the construction period, borrowing costs eligible for capitalisation and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (11) Property and equipment and construction in progress (Continued)

#### (ii) Reclassification to investment property

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

#### (iii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

#### (iv) Depreciation

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives.

Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

<b>Types of assets</b>	<b>Estimated useful lives</b>	<b>Estimated residual values</b>	<b>Depreciation rates</b>
Buildings	35 years	3%	2.77%
Motor vehicles	5 years	0%	20%
Electronic equipment	4 years	0%	25%
Furniture and fixtures	5 years	0%	20%



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (11) Property and equipment and construction in progress (Continued)

#### (iv) Depreciation (Continued)

Construction in progress represents buildings under construction, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

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

### (12) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is initially measured at its cost, which includes expenditure that is directly attributable to the acquisition of items. Subsequent to initial recognition, the investment property is accounted for using the cost model and stated in the consolidated financial statement at cost less accumulated depreciation, and impairment losses (see Note 3(14)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

<b>Types of assets</b>	<b>Estimated useful lives</b>	<b>Estimated residual values</b>	<b>Depreciation rates</b>
Investment property	35 years	3%	2.77%

The gain or loss in disposal of an investment property is the difference between the net sale proceeds and the carrying amount of property, and is recognised in profit or loss.

### (13) Intangible assets

Intangible assets are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment loss (see Note 3(14)). For an intangible asset with finite useful life, its cost less impairment loss is amortised on the straight-line method over its estimated useful life.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (13) Intangible assets (Continued)

The respective amortisation periods for intangible assets are as follows:

<b>Types of assets</b>	<b>Estimated useful lives</b>
Trading rights	5 years
Software	5 years

Both the period and method of amortisation are reviewed annually.

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

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

- property and equipment
- investment properties
- intangible assets
- equity investment in subsidiaries and associates and joint ventures
- goodwill
- leasehold improvements and long-term prepaid expenses

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (14) Impairment of non-financial assets (Continued)

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (i.e. a cash-generating unit, or CGU). Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (15) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (15) Employee benefits (Continued)

#### (ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

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

#### (iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

### (16) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income, in which case the relevant amounts of tax are recognised directly in equity or in other comprehensive income.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (16) Income tax (Continued)

#### (i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

#### (ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (16) Income tax (Continued)

#### (ii) Deferred tax (Continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (iii) Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### (17) Operating leases

#### (i) Operating lease charges

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are recognised as expenses in the accounting period in which they are incurred.

#### (ii) Assets leased out under operating leases

Property and equipment leased out under operating leases are depreciated in accordance with the Group's depreciation policies described in Note 3(11)(iv). Impairment losses are recognised in accordance with the accounting policies described in Note 3(14). Income derived from operating leases is recognised in the profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Contingent rentals are recognised as income in the accounting period in which they are earned.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (18) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (19) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

### (20) Revenue recognition

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

#### (i) Commission income from brokerage business

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

#### (ii) Assets management fees

Assets management fees are recognised when the Group is entitled to receive the income under the assets management agreement.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (20) Revenue recognition (Continued)

#### (iii) Underwriting and sponsor fees

Underwriting and sponsor fees are recognised when the obligation of underwriting or sponsoring is completed, that is, the economic interests may flow into the Group and the relevant revenue and costs may be calculated reliably.

#### (iv) Advisory fees

Revenue arising from advisory services is recognised on completion of such services.

#### (v) Interest income

Interest income is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

#### (vi) Dividend income

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

#### (vii) Other income

Other income is recognised on an accrual basis.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (21) Expenses recognition

#### (i) Commission expenses

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

#### (ii) Interest expenses

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

#### (iii) Lease payments

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

#### (iv) Other expenses

Other expenses are recognised on an accrual basis.

### (22) Dividend distribution

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

### (23) Government grants

Government grants related to purchase of asset are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (24) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which consolidated financial statement regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### (1) Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether 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 assets management schemes where the Group involves as the manager, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the assets management schemes that is of such significance indicating that the Group is a principal. The assets management schemes shall be consolidated if the Group acts in the role of principal.

Details of interest in assets management schemes is disclosed in Note 53 to the consolidated financial statements

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (2) Fair value of financial instruments

As indicated in Note 3(8)(i), financial instruments at fair value through profit or loss and available-for-sale investments are measured at fair value at the reporting date and it is usually possible to determine their fair values within a reasonable range of estimates.

For part of the above financial instruments, quoted market prices are readily available. However, the determination of fair value for financial assets and liabilities for which there is no observable market price, requires the use of valuation techniques as described in Note 3(8)(ii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Details of fair value measurements are disclosed in Note 58 to the consolidated financial statements.

### (3) Impairment of available-for-sale financial assets

In determining whether there is any objective evidence that impairment has occurred on available-for-sale financial assets, we assess periodically whether there has been a significant or prolonged decline in the fair value of the investments below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry outlook, technological changes as well as operating and financing cash flows. This requires a significant level of management judgment which would affect the amount of impairment losses.

Details of impairment of available-for-sale financial assets are disclosed in Note 16 to the consolidated financial statements.

### (4) Classification of financial assets and liabilities

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the Group has determined that it meets the definition of trading assets and liabilities set out in Note 3(8)(i).
- In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in Note 3(8)(i).

The classification of financial assets as trading or designating at fair value through profit or loss is disclosed in Note 36 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (5) Impairment of receivables

Receivables that are measured at amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is recognised. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flows of an individual debtor and other factors. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed. Details of impairment of receivable are disclosed in Notes 33, 34 and 35(b) to the consolidated financial statements.

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

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption. During the year, no impairment (2016: Nil) was recognised for non-financial assets.

### (7) Income taxes

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The Group evaluates carefully tax implication of transaction and tax provision are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. During the year, approximately RMB243.834 million (2016: RMB120.425 million) of income tax was charged to profit or loss based on the estimated profit from operations.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (8) Depreciation and amortisation

Property and equipment, investment property, intangible assets, leasehold improvements and long-term deferred expenses are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting date. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised. The depreciation and amortisation charged for the year were disclosed in Note 14 to the consolidated financial statements.

## 5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER 2017

	2017	2016
<b>Non-current assets</b>		
Property and equipment	<b>454,307</b>	446,290
Investment properties	<b>12,097</b>	12,662
Intangible assets	<b>102,082</b>	89,102
Investments in subsidiaries	<b>1,996,583</b>	1,996,583
Available-for-sale financial assets	<b>59,090</b>	1,707,093
Financial assets held under resale agreements	<b>614,910</b>	614,910
Refundable deposits	<b>165,438</b>	153,875
Deferred tax assets	<b>76,330</b>	71,841
Other non-current assets	<b>32,084</b>	131,862
<b>Total non-current assets</b>	<b>3,512,921</b>	5,224,218

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER 2017 (CONTINUED)

	2017	2016
<b>Current assets</b>		
Margin account receivables	5,322,835	5,145,143
Other current assets	328,112	425,083
Available-for-sale financial assets	212,206	1,000,925
Financial assets held under resale agreements	479,132	346,879
Financial assets at fair value through profit or loss	9,117,843	6,732,251
Cash held on behalf of brokerage clients	8,680,182	11,277,720
Clearing settlement funds	741,963	1,063,629
Cash and bank balances	1,129,951	2,035,354
<b>Total current assets</b>	<b>26,012,224</b>	<b>28,026,984</b>
<b>Total assets</b>	<b>29,525,145</b>	<b>33,251,202</b>
<b>Current liabilities</b>		
Debt instruments	1,500,000	3,132,624
Placements from a financial institution	700,000	900,000
Account payables to brokerage clients	8,798,554	11,277,911
Employee benefit payables	276,061	351,878
Other current liabilities	248,754	191,103
Current tax liabilities	56,169	78,056
Financial assets sold under repurchase agreements	4,329,701	4,473,886
<b>Total current liabilities</b>	<b>15,909,239</b>	<b>20,405,458</b>
<b>Net current assets</b>	<b>10,102,985</b>	<b>7,621,526</b>
<b>Total assets less current liabilities</b>	<b>13,615,906</b>	<b>12,845,744</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER 2017 (CONTINUED)

	2017	2016
<b>Non-current liabilities</b>		
Debt instruments	<b>3,304,857</b>	3,000,000
Financial assets sold under repurchase agreements	<b>500,000</b>	500,000
Deferred revenue	<b>6,938</b>	8,090
<b>Total non-current liabilities</b>	<b>3,811,795</b>	3,508,090
<b>Net assets</b>	<b>9,804,111</b>	9,337,654
<b>Equity</b>		
Share capital	<b>2,604,567</b>	2,604,567
Share premium	<b>1,665,236</b>	1,665,236
Perpetual capital securities	<b>1,500,000</b>	1,500,000
Reserves	<b>4,034,308</b>	3,567,851
<b>Total equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities</b>	<b>9,804,111</b>	9,337,654

Approved by the Board of Directors on 28 March 2018 and is signed on its behalf by:

**Pang Jiemin**  
*Chairman of Board of Directors*

**Wu Yigang**  
*Vice Chairman of Board of Directors*

**Yang Shufei**  
*Chief Financial Officer*

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 6. TAXATION

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

Tax type	Tax basis	Tax rate
Corporate income tax	Based on taxable profits	25%
Business tax	Based on taxable revenue	5%
Value added tax ("VAT")	Based on taxable revenue	4%–6%
City maintenance and construction tax	Based on business tax and VAT	7%
Education surcharge and local education surcharge	Based on business tax and VAT	2%–3%

## 7. FEES AND COMMISSION INCOME

	2017	2016
Fees and commission income arising from:		
– Securities brokerage business	<b>868,100</b>	1,042,921
– Assets management business	<b>619,254</b>	702,721
– Underwriting and sponsoring business	<b>162,910</b>	314,417
– Financial advisory business	<b>115,543</b>	112,975
– Futures brokerage business	<b>70,668</b>	67,224
– Investment advisory business	<b>62,721</b>	28,935
– Custody business	<b>45,862</b>	11,993
	<b>1,945,058</b>	2,281,186

## 8. INTEREST INCOME

	2017	2016
Interest income arising from:		
– Margin financing and securities lending	<b>396,770</b>	426,591
– Deposits in financial institutions	<b>376,183</b>	336,567
– Financial assets held under resale agreements	<b>88,944</b>	47,742
– Others	<b>524</b>	8,624
	<b>862,421</b>	819,524



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 9. NET INVESTMENT INCOME

	2017	2016
Net realised gains from disposal of available-for-sale financial assets	320,093	139,037
Dividend income and interest income from available-for-sale financial assets	1,239	13,751
Net gains from financial instruments at fair value through profit or loss	757,415	218,024
Net gains from derivative financial instruments	31	20,916
Interest income from investments classified as receivables	–	28,026
Gain on disposal of subsidiaries	14,635	–
Others	(1,459)	774
	<b>1,091,954</b>	420,528

## 10. OTHER INCOME AND GAINS

	2017	2016
Foreign exchange (losses)/gains	(1,663)	1,647
Rental income	3,015	3,102
Government grants	7,139	9,784
(Loss)/gain on disposal of property and equipment and intangible assets	(609)	137
Others	7,338	5,247
	<b>15,220</b>	19,917

Government grants were received from several local government authorities for supporting the Group's operation, of which the entitlement was unconditional.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 11. FEES AND COMMISSION EXPENSES

	2017	2016
Expenses arising from:		
– Securities brokerage business	155,056	159,221
– Underwriting and sponsoring business	1,529	6,238
– Investment advisory business	–	250
	<b>156,585</b>	165,709

## 12. INTEREST EXPENSES

	2017	2016
Interest expenses arising from:		
– Account payables to brokerage clients	41,892	43,369
– Placements from other financial institutions	37,139	18,594
– Financial assets sold under repurchase agreements	239,203	241,437
– Debt instruments	284,507	305,875
– Other investors under the assets management schemes	134,344	79,883
– Limited partners under limited partnerships	6,028	2,266
	<b>743,113</b>	691,424

## 13. STAFF COSTS

	2017	2016
Short-term benefits	1,028,368	1,102,318
Defined contribution plan	58,034	48,626
	<b>1,086,402</b>	1,150,944

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 14. DEPRECIATION AND AMORTISATION

	2017	2016
Depreciation of:		
– property and equipment (Note 23)	36,924	31,990
– investment properties (Note 24)	826	827
Amortisation of:		
– intangible assets (Note 26)	35,271	27,526
– leasehold improvements and long-term prepaid expenses (Note 33)	20,053	20,981
	<b>93,074</b>	81,324

## 15. OTHER OPERATING EXPENSES

	2017	2016
Electronic equipment operating expenses	87,513	111,537
Consulting fees	49,496	77,080
Rental expenses	119,878	110,947
Miscellaneous office expenses	15,442	27,681
Business travel expenses	44,068	45,828
Securities investor protection funds	54,150	19,369
Postal and communication expenses	20,973	17,225
Business entertainment expenses	27,426	25,603
Auditors' remuneration	5,481	5,802
Utilities and building management fees	14,850	14,371
Other commission expenses	80,633	71,259
Others	246,182	201,768
	<b>766,092</b>	728,470

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 16. IMPAIRMENT LOSSES

	2017	2016
Impairment losses/(reversal of impairment losses) on:		
– margin financing and securities lending	664	(5,675)
– available-for-sale financial assets	19,679	4,000
– financial assets held under resale agreements	(587)	3,635
– other current assets	2,330	4,222
– other non-current assets	13,337	–
	<b>35,423</b>	6,182

## 17. INCOME TAX EXPENSE

	2017	2016
Current tax	251,832	129,730
Deferred tax ( <i>Note 32</i> )	(7,998)	(9,305)
	<b>243,834</b>	120,425

The provision for the PRC corporate income tax is calculated based on the statutory income tax rate of 25% (2016: 25%). Reconciliation between income tax expense and accounting profit at applicable tax rate:

	2017	2016
Profit before tax	1,012,905	642,577
Tax at the PRC statutory income tax rate of 25% (2016: 25%)	253,226	160,644
Tax effect of non-deductible expenses	9,150	3,889
Tax effect of non-taxable income	(19,596)	(44,132)
Tax exemption	583	698
Others	471	(674)
Income tax expense	<b>243,834</b>	120,425

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 18. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue.

	2017	2016
<b>Earnings</b>		
Profit for the year attributable to ordinary shareholders of the Company	706,202	454,723
Less: Dividends for cumulative perpetual capital securities required	(102,000)	(102,000)
	<b>604,202</b>	352,723
<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic earnings per share calculation	<b>2,604,567</b>	2,604,567

For the year ended 31 December 2017, there were no dilutive potential ordinary shares (2016: Nil), hence the diluted earnings per share were the same as the basic earnings per share.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 19. BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' and supervisors' remuneration

	2017				Total emoluments before tax
	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to social pension schemes	
<b>Executive directors</b>					
Pang Jiemin	-	1,883	4,764	51	6,698
Wu Yigang	-	866	4,235	20	5,121
<b>Non-executive directors</b>					
Zhang Tao	50	-	-	-	50
Chen Guanglei <sup>1</sup>	50	-	-	-	50
Sun Chao	50	-	-	-	50
<b>Independent non-executive directors</b>					
Zhou Jianjun	100	-	-	-	100
Peng Diyun <sup>2</sup>	100	-	-	-	100
Lam Sek Kong	100	-	-	-	100
<b>Supervisors</b>					
Guo Liwen	-	745	4,235	20	5,000
Wang Hui	-	505	340	51	896
Pei Jingjing	30	-	-	-	30
	<b>480</b>	<b>3,999</b>	<b>13,574</b>	<b>142</b>	<b>18,195</b>

<sup>1</sup> On 22 November 2017, Mr. Chen Guanglei ceased to be non-executive director.

<sup>2</sup> On 22 December 2017, Mr. Peng Diyun ceased to be independent non-executive director.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 19. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' and supervisors' remuneration (Continued)

	2016				Total emoluments before tax
	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to social pension schemes	
<b>Executive directors</b>					
Pang Jiemin	-	1,873	2,122	73	4,068
Wu Yigang	-	858	1,179	20	2,057
<b>Non-executive directors</b>					
Zhang Tao	50	-	-	-	50
Chen Guanglei	50	-	-	-	50
Sun Chao	50	-	-	-	50
<b>Independent non-executive directors</b>					
Zhou Jianjun	100	-	-	-	100
Peng Diyun	100	-	-	-	100
Lam Sek Kong	100	-	-	-	100
<b>Supervisors</b>					
Guo Liwen	-	738	1,179	20	1,937
Wang Hui	-	477	455	73	1,005
Pei Jingjing	30	-	-	-	30
	480	3,946	4,935	186	9,547

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 19. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (b) Directors' and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or supervisor of the Company and the director's or supervisor's connected party had a material interest, whether directly or indirectly, subsisted at the reporting date or at any time during the year.

## 20. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, excluding amounts paid or payable by way of commission of sales generated by the individuals, the five highest paid individuals include one director (2016: one), whose emoluments are disclosed in Note 19. The emoluments for the rest of the five highest paid individuals during the year are as follows:

	2017	2016
Salaries and allowances	4,319	6,202
Discretionary bonuses	38,707	7,069
Employer's contribution to pension schemes	188	190
	<b>43,214</b>	13,461

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

	2017	2016
HKD3,000,001 to HKD3,500,000	–	1
HKD4,000,001 to HKD4,500,000	–	3
HKD8,500,001 to HKD9,000,000	1	–
HKD9,000,001 to HKD9,500,000	2	–
HKD22,500,001 to HKD23,000,000	1	–

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the year.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 21. OTHER COMPREHENSIVE INCOME FOR THE YEAR

The components of other comprehensive income, including reclassification adjustments are as follows:

	2017	2016
Fair value gain on available-for-sale financial assets	405,078	90,916
Less: Transfer to profit or loss upon disposal	(1,680)	(48,914)
Tax effect (Note 32)	(100,864)	(9,874)
	<b>302,534</b>	32,128

## 22. DIVIDENDS

	2017	2016
Final dividend in respect of the financial year ended 31 December 2015 of RMB0.10 per ordinary share	–	260,457
Dividend paid to holders of perpetual capital securities	102,000	102,000
	<b>102,000</b>	362,457

- (i) The dividends paid for the year ended 31 December 2016 was approximately RMB260.46 million being final dividend of RMB1 per ten shares in respect of the year ended 31 December 2015.
- (ii) The dividend paid for the year ended 31 December 2017 was approximately RMB102 million (2016: RMB102 million) being dividend calculated at 6.8% per annum on the nominal value of perpetual capital securities.

On 28 March 2018, the Company's directors recommended and proposed a dividend of RMB0.10 per ordinary share, totalling approximately RMB260.457 million in respect of year ended 31 December 2017.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 23. PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Electronic equipment	Furniture and fixtures	Construction in progress	Total
<b>Cost</b>						
As at 1 January 2016	174,193	24,285	198,235	24,072	241,850	662,635
Additions	5,366	2,382	22,629	4,217	79,970	114,564
Transfer in/(out)	–	–	245	191	(18,025)	(17,589)
Disposals	(77)	(934)	(28,296)	(2,525)	–	(31,832)
At 31 December 2016	<b>179,482</b>	<b>25,733</b>	<b>192,813</b>	<b>25,955</b>	<b>303,795</b>	<b>727,778</b>
Additions	–	<b>1,976</b>	<b>26,879</b>	<b>2,351</b>	<b>32,154</b>	<b>63,360</b>
Transfer in/(out)	<b>(150)</b>	<b>343</b>	<b>2,288</b>	–	<b>(20,544)</b>	<b>(18,063)</b>
Disposals	–	<b>(2,285)</b>	<b>(18,604)</b>	<b>(3,460)</b>	–	<b>(24,349)</b>
Disposal of subsidiaries	–	–	<b>(81)</b>	–	–	<b>(81)</b>
At 31 December 2017	<b>179,332</b>	<b>25,767</b>	<b>203,295</b>	<b>24,846</b>	<b>315,405</b>	<b>748,645</b>
<b>Accumulated depreciation</b>						
At 1 January 2016	(44,119)	(20,647)	(134,465)	(16,405)	–	(215,636)
Charge for the year	(4,771)	(1,736)	(21,527)	(3,956)	–	(31,990)
Disposals	4	934	27,945	2,435	–	31,318
At 31 December 2016	<b>(48,886)</b>	<b>(21,449)</b>	<b>(128,047)</b>	<b>(17,926)</b>	–	<b>(216,308)</b>
Charge for the year	<b>(4,919)</b>	<b>(1,455)</b>	<b>(27,935)</b>	<b>(2,615)</b>	–	<b>(36,924)</b>
Disposals	–	<b>1,055</b>	<b>18,245</b>	<b>3,443</b>	–	<b>22,743</b>
Disposal of subsidiaries	–	–	<b>21</b>	–	–	<b>21</b>
At 31 December 2017	<b>(53,805)</b>	<b>(21,849)</b>	<b>(137,716)</b>	<b>(17,098)</b>	–	<b>(230,468)</b>
<b>Impairment</b>						
As at 1 January 2016	(719)	–	(746)	(79)	–	(1,544)
Disposals	–	–	119	11	–	130
At 31 December 2016	<b>(719)</b>	–	<b>(627)</b>	<b>(68)</b>	–	<b>(1,414)</b>
Disposals	–	–	<b>2</b>	<b>8</b>	–	<b>10</b>
At 31 December 2017	<b>(719)</b>	–	<b>(625)</b>	<b>(60)</b>	–	<b>(1,404)</b>
<b>Carrying amount</b>						
At 31 December 2017	<b>124,808</b>	<b>3,918</b>	<b>64,954</b>	<b>7,688</b>	<b>315,405</b>	<b>516,773</b>
At 31 December 2016	129,877	4,284	64,139	7,961	303,795	510,056

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 23. PROPERTY AND EQUIPMENT (CONTINUED)

As at 31 December 2017, the carrying amount of buildings without title deeds is amounted to RMB24.27 million (2016: RMB37.23 million). The Group is still in the midst of applying for the outstanding title deeds of these premises. The management of the Group expected that there would be no significant cost in obtaining the title deeds.

## 24. INVESTMENT PROPERTIES

	2017	2016
<b>Cost</b>		
As at 1 January and 31 December	<b>29,664</b>	29,664
<b>Accumulated depreciation</b>		
As at 1 January	<b>(10,550)</b>	(9,723)
Charge for the year	<b>(826)</b>	(827)
As at 31 December	<b>(11,376)</b>	(10,550)
<b>Carrying amount</b>		
As at 31 December	<b>18,288</b>	19,114

The fair value of the Group's investment properties as at 31 December 2017 amounted to RMB214.04 million (2016: RMB200.19 million). The fair value was derived using direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition. This is categorised as level 3 fair value measurement.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 25. GOODWILL

	<i>Notes</i>	<b>2017</b>	2016
As at 1 January and 31 December		<b>43,739</b>	43,739
Funds management	(1)	<b>30,604</b>	30,604
Futures brokerage	(2)	<b>13,135</b>	13,135
		<b>43,739</b>	43,739

(1) In 2015, the Group further acquired equity interest in New China Fund Management Co., Ltd. ("New China Fund"), and resulted New China Fund and its subsidiary became subsidiaries instead of associates of the Group. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill arising from funds management CGU.

(2) In 2009, the Group acquired the entire equity interest in Hengtai Futures Co., Ltd ("Hengtai Futures"). The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

As at 31 December 2017, the Group performed its goodwill impairment test. The recoverable amounts of the CGUs are determined based on fair value less costs of disposal using market approach by reference to market comparable transactions. This categorised as level 3 fair value measurement. No impairment losses were recognised for the goodwill related to futures brokerage CGU and funds management CGU since the recoverable amount was greater than their carrying amount.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 26. INTANGIBLE ASSETS

	Trading rights	Software	Others	Total
<b>Cost</b>				
As at 1 January 2016	9,589	167,480	5,289	182,358
Transfer in	–	17,406	–	17,406
Additions	–	21,981	18	21,999
Disposals	–	(119)	–	(119)
As at 31 December 2016	<b>9,589</b>	<b>206,748</b>	<b>5,307</b>	<b>221,644</b>
Transfer in	–	<b>16,404</b>	–	<b>16,404</b>
Additions	–	<b>36,614</b>	<b>20</b>	<b>36,634</b>
Disposals	–	<b>(2)</b>	<b>(19)</b>	<b>(21)</b>
Disposal of subsidiaries	–	–	<b>(20)</b>	<b>(20)</b>
As at 31 December 2017	<b>9,589</b>	<b>259,764</b>	<b>5,288</b>	<b>274,641</b>
<b>Accumulated amortisation</b>				
As at 1 January 2016	(9,289)	(79,942)	(5,289)	(94,520)
Charge for the year	–	(27,508)	(18)	(27,526)
Disposals	–	119	–	119
As at 31 December 2016	<b>(9,289)</b>	<b>(107,331)</b>	<b>(5,307)</b>	<b>(121,927)</b>
Charge for the year	–	<b>(35,270)</b>	<b>(1)</b>	<b>(35,271)</b>
Disposals	–	<b>1</b>	<b>19</b>	<b>20</b>
Disposal of subsidiaries	–	–	<b>1</b>	<b>1</b>
As at 31 December 2017	<b>(9,289)</b>	<b>(142,600)</b>	<b>(5,288)</b>	<b>(157,177)</b>
<b>Carrying amount</b>				
As at 31 December 2017	<b>300</b>	<b>117,164</b>	–	<b>117,464</b>
As at 31 December 2016	300	99,417	–	99,717

The remaining amortisation period of trading rights and software are ranged from 1 to 5 years (2016: 1 to 5 years).

The amortisation charge for the year is included in “other operating expenses” in the consolidated statement of profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 27. INVESTMENTS IN SUBSIDIARIES

	2017	2016
Unlisted shares, at cost	<b>1,996,583</b>	1,996,583

Details of principal subsidiaries are as follows:

Name of company	Place of incorporation/ establishment	Registered capital	Equity interest directly held by the Company		Principal activity	Statutory auditor
			2017	2016		
Hengtai Changcai Securities Co., Ltd. 恒泰長財證券有限責任公司 <sup>1</sup> ("Hengtai Changcai")	Changchun, PRC	RMB200 million	<b>100%</b>	100%	Securities underwriting and sponsoring business, securities investment fund marketing	Ruihua Certified Public Accountants LLP 瑞華會計師事務所 (特殊普通合夥) ("Ruihua")
Hengtai Futures 恒泰期貨股份有限公司 <sup>1</sup>	Shanghai, PRC	RMB125 million	<b>80%</b>	80%	Futures brokerage business	Ruihua
New China Fund 新華基金管理股份有限公司 <sup>1,2</sup>	Chongqing, PRC	RMB217.5 million	<b>58.62%</b>	58.62%	Funds management	Ruihua
Hengtai Pioneer Investments Co., Ltd. 恒泰先鋒投資有限公司 <sup>1</sup> ("Hengtai Pioneer")	Beijing, PRC	RMB100 million	<b>100%</b>	100%	Investment, advisory and business management	Ruihua
Hengtai Capital Investment Co., Ltd. 恒泰資本投資有限責任公司 <sup>1,3</sup> ("Hengtai Capital")	Shenzhen, PRC	RMB1,500 million	<b>100%</b>	100%	Equity investment, and funds management	Ruihua

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 27. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

- 1 The English translation of the names is for reference only. The official names of these entities are in Chinese.
- 2 On 23 July 2015, the Company injected capital of RMB97.75 million to New China Fund. The registration of the change in paid up capital and the renewal of the business license with the State Administration of Industry and Commerce were completed on 29 July 2015. As a result, New China Fund and its subsidiary became subsidiaries instead of associates of the Company. On 28 September 2015, New China Fund was converted into a joint stock company with limited liability.
- 3 On 29 January 2016, the Company injected capital of RMB800 million to Hengtai Capital, and the registration of the change in paid up capital and the renewal of the business license with the State Administration of Industry and Commerce were completed on the same date. Further on 10 November 2016, Hengtai Capital increased its registered capital to RMB1,500 million and completed the renewal of the business license with the State Administration of Industry and Commerce. As at 31 December 2017, a total capital of RMB1,200 million has been paid up by the Company.

## 28. INTERESTS IN ASSOCIATES

	2017	2016
Share of net assets	16,101	7,958

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 28. INTERESTS IN ASSOCIATES (CONTINUED)

Details of the Group's principal associates are as follows:

Name	Place of incorporation/ registration	Registered capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			2017	2016	
Yifeng Internet Financial Information Services (Shanghai) Co., Ltd	Shanghai, PRC	RMB9.8 million	49%	49%	Internet financial services
Beijing Hengtai Puhui Information Service Co., Ltd.	Beijing, PRC	RMB10.0 million	30%	–	Investment management and consultancy

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2017	2016
<b>At 31 December:</b>		
Carrying amounts of interests	16,101	7,958
<b>Year ended 31 December:</b>		
Profits less losses from operations	(1,686)	(1,123)
Other comprehensive income	–	–
<b>Total comprehensive income</b>	<b>(1,686)</b>	<b>(1,123)</b>



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 29. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
Available-for-sale financial assets:		
– Current	<b>396,444</b>	1,366,097
– Non-current	<b>1,343,855</b>	2,398,865
	<b>1,740,299</b>	3,764,962
At fair value:		
– Equity securities	<b>1,595,761</b>	1,704,066
– Assets management schemes	<b>71,060</b>	1,605,797
– Investment funds	<b>73,478</b>	346,699
– Debt securities	–	97,400
	<b>1,740,299</b>	3,753,962
At cost:		
– Equity securities	–	11,000
	<b>1,740,299</b>	3,764,962
Analysed into:		
– Listed outside Hong Kong	<b>623,108</b>	1,149,841
– Unlisted	<b>1,117,191</b>	2,615,121
	<b>1,740,299</b>	3,764,962

In year 2016, unlisted equity securities with carrying amount of RMB11.0 million were carried at cost as they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

### 30. FINANCIAL ASSETS HELD UNDER RE SALE AGREEMENTS

	2017	2016
Financial assets held under resale agreements:		
– Non-current	<b>614,910</b>	614,910
– Current	<b>1,046,749</b>	915,323
	<b>1,661,659</b>	1,530,233
Analysis by collateral type:		
– Equity securities	<b>849,125</b>	966,622
– Debt securities	<b>816,780</b>	568,444
Less: Impairment losses	<b>(4,246)</b>	(4,833)
	<b>1,661,659</b>	1,530,233
Analysis by market:		
– Shenzhen Stock Exchange	<b>917,370</b>	769,463
– Shanghai Stock Exchange	<b>293,670</b>	765,592
– Interbank	<b>450,312</b>	–
– Others	<b>4,553</b>	11
Less: Impairment losses	<b>(4,246)</b>	(4,833)
	<b>1,661,659</b>	1,530,233

As at 31 December 2017, the Group did not hold any collateral under resale agreements for which the Group was permitted to sell or repledge in the absence of default for the transactions (2016: Nil).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 31. REFUNDABLE DEPOSITS

	2017	2016
<b>Deposits with stock exchanges</b>		
China Securities Depository and Clearing Corporation Limited:		
– Shanghai Branch	<b>47,709</b>	41,589
– Shenzhen Branch	<b>31,582</b>	33,117
– Beijing Branch	<b>1,240</b>	1,218
	<b>80,531</b>	75,924
<b>Deposits with futures and commodity exchanges</b>		
China Financial Futures Exchange	<b>266,702</b>	126,843
Shanghai Futures Exchange	<b>107,797</b>	83,975
Dalian Commodity Exchange	<b>47,808</b>	73,497
Zhengzhou Commodity Exchange	<b>22,522</b>	22,708
	<b>444,829</b>	307,023
<b>Deposits with other institution</b>		
China Securities Finance Corporation Limited	<b>89,146</b>	83,763
	<b>614,506</b>	466,710

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 32. DEFERRED TAXATION

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

Deferred taxation arising from:	Note	Impairment losses	Employee benefit payables	Changes in fair value of financial instruments at fair value through profit or loss	Changes in fair value of available-for-sale financial assets	Others	Total
<b>At 1 January 2016</b>		18,181	174,436	(82,084)	(19,242)	(1,872)	89,419
Recognised in profit or loss	17	1,248	(60,059)	42,498	–	25,618	9,305
Recognised in other comprehensive income	21	–	–	–	(9,874)	–	(9,874)
<b>As at 31 December 2016</b>		19,429	114,377	(39,586)	(29,116)	23,746	88,850
<b>At 1 January 2017</b>		<b>19,429</b>	<b>114,377</b>	<b>(39,586)</b>	<b>(29,116)</b>	<b>23,746</b>	<b>88,850</b>
Recognised in profit or loss	17	<b>7,713</b>	<b>(23,878)</b>	<b>9,096</b>	–	<b>15,067</b>	<b>7,998</b>
Recognised in other comprehensive income	21	–	–	–	<b>(100,864)</b>	–	<b>(100,864)</b>
Disposal of subsidiaries	59(a)	<b>(3,334)</b>	<b>(2,290)</b>	–	–	–	<b>(5,624)</b>
<b>As at 31 December 2017</b>		<b>23,808</b>	<b>88,209</b>	<b>(30,490)</b>	<b>(129,980)</b>	<b>38,813</b>	<b>(9,640)</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 32. DEFERRED TAXATION (CONTINUED)

### (a) Reconciliation to the consolidated statement of financial position

	2017	2016
Net deferred tax assets recognised in the consolidated statement of financial position	<b>112,194</b>	90,192
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>(121,834)</b>	(1,342)
	<b>(9,640)</b>	88,850

### (b) Deferred tax assets not recognised

The Group has no material unrecognised deferred tax assets or liabilities as at 31 December 2017 (2016: Nil).

## 33. OTHER NON-CURRENT ASSETS

	2017	2016
Leasehold improvements and long-term prepaid expenses ( <i>note</i> )	<b>38,954</b>	37,411
Long-term receivables	<b>7,241</b>	8,301
Investments classified as receivables	<b>33,637</b>	140,300
Less: Impairment losses	<b>(13,337)</b>	–
	<b>66,495</b>	186,012

*Note:*

The movements of leasehold improvements and long-term prepaid expenses are as below:

	2017	2016
At 1 January	<b>37,411</b>	37,231
Transfer in	<b>3,122</b>	183
Additions	<b>18,474</b>	20,978
Amortisation	<b>(20,053)</b>	(20,981)
At 31 December	<b>38,954</b>	37,411

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 34. MARGIN ACCOUNT RECEIVABLES

	2017	2016
Individual receivables	<b>5,237,910</b>	5,134,555
Institution receivables	<b>114,387</b>	39,386
Less: Impairment losses	<b>(29,462)</b>	(28,798)
	<b>5,322,835</b>	5,145,143

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

	2017	2016
Equity securities	<b>13,998,678</b>	13,746,492
Cash	<b>761,903</b>	634,263
	<b>14,760,581</b>	14,380,755

The Group evaluates the collectability of receivables from margin clients based on management's assessment on the credit rating, collateral value and the past collection history of each margin client.

## 35. OTHER CURRENT ASSETS

	2017	2016
Fees and commission receivables ( <i>note a</i> )	<b>115,103</b>	123,029
Interest receivables ( <i>note b</i> )	<b>332,874</b>	294,053
Prepaid expenses	<b>12,059</b>	15,349
Other receivables	<b>125,412</b>	265,329
	<b>585,448</b>	697,760

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 35. OTHER CURRENT ASSETS (CONTINUED)

Notes:

(a) Fees and commission receivables

The ageing analysis of fees and commission receivables, based on the invoice date, is as follows:

	2017	2016
Within one year	114,094	121,296
Over one year	1,009	1,733
	<b>115,103</b>	123,029

(b) Interest receivables

	2017	2016
Interest receivables arising from:		
– Available-for-sale financial assets	–	2,528
– Financial assets at fair value through profit or loss	257,718	195,798
– Margin financing and securities lending	75,137	92,582
– Bank deposits	3,950	4,607
– Financial assets held under resale agreements	2,669	2,509
Less: Impairment losses	(6,600)	(3,971)
	<b>332,874</b>	294,053

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 36. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
Held for trading:		
– Debt securities	<b>8,306,950</b>	5,997,671
– Equity securities	<b>2,432,186</b>	497,691
– Investment funds	<b>789,992</b>	1,717,960
– Assets management schemes	<b>1,024,160</b>	1,008
	<b>12,553,288</b>	8,214,330
Financial assets designated at fair value through profit or loss:		
– Debt securities	<b>444,272</b>	108,605
	<b>12,997,560</b>	8,322,935
Analysis into:		
Listed in Hong Kong	<b>488,262</b>	–
Listed outside Hong Kong	<b>7,809,250</b>	4,628,285
Unlisted	<b>4,700,048</b>	3,694,650
	<b>12,997,560</b>	8,322,935

## 37. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section, and recognised the corresponding account payables to the respective brokerage clients on the grounds that the Group is liable for any loss or misappropriation of their brokerage clients' monies. Cash held for brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions in accordance with CSRC regulations.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 38. CLEARING SETTLEMENT FUNDS

	2017	2016
Deposits with stock exchanges China Securities Depository and Clearing Corporation Limited:		
– Shanghai Branch	393,663	594,467
– Shenzhen Branch	286,926	342,105
– Beijing Branch	28,039	106,808
Deposits with futures and commodity exchanges	64,759	66,571
	<b>773,387</b>	1,109,951

As at 31 December 2017, the clearing settlement funds arising from consolidated assets management schemes are amounted to RMB18.202 million (2016: RMB32.378 million).

## 39. CASH AND BANK BALANCES

	2017	2016
Cash in hand	79	119
Bank balances	2,338,494	3,206,336
	<b>2,338,573</b>	3,206,455

As at 31 December 2017, the cash and bank balances arising from consolidated assets management schemes are amounted to RMB26.206 million (2016: RMB184.388 million).

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 40. CASH AND CASH EQUIVALENTS

	2017	2016
Cash in hand	79	119
Bank balances with original maturity within three months	2,138,494	2,986,336
Clearing settlement funds	773,387	1,109,951
Financial assets held under resale agreements with original maturity within three months	905,756	573,983
Less: restricted bank deposits	(185,073)	(131,188)
	<b>3,632,643</b>	4,539,201

## 41. DEBT INSTRUMENTS

	2017	2016
Beneficiary certificates	1,604,857	2,832,624
Subordinated bonds	1,740,000	1,540,000
Short-term corporate bonds	–	300,000
Long-term corporate bond	1,500,000	1,500,000
	<b>4,844,857</b>	6,172,624
<b>Analysis by remaining maturity:</b>		
<b>Current</b>		
Within one year	1,500,000	3,132,624
<b>Non-current</b>		
Between one year and two years	1,604,857	–
Between two years and five years	1,740,000	3,040,000
	<b>3,344,857</b>	3,040,000
	<b>4,844,857</b>	6,172,624

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 41. DEBT INSTRUMENTS (CONTINUED)

### Beneficiary certificates:

Name	Par value	Issuance date	Due date	Interest rate	2017					
					Par value			As at 31 December 2017	Accrued Interest	Book value as at 31 December 2017
					As at 1 January 2017	Issuance	Redemption			
Hengfu No. 9	300,000	06.05.2015	04.05.2017	6.55%	332,624	-	(332,624)	-	-	-
恒創泰富No. 1	500,000	12.09.2016	13.03.2017	3.50%	500,000	-	(500,000)	-	-	-
恒創泰富No. 2	500,000	14.09.2016	15.03.2017	3.60%	500,000	-	(500,000)	-	-	-
恒創泰富No. 3	500,000	17.11.2016	17.11.2017	3.70%	500,000	-	(500,000)	-	-	-
恒創泰富No. 4	500,000	18.11.2016	17.11.2017	3.80%	500,000	-	(500,000)	-	-	-
恒創泰富No. 5	500,000	23.11.2016	23.11.2017	3.80%	500,000	-	(500,000)	-	-	-
恒創泰富No. 6	100,000	24.02.2017	22.02.2019	5.70%	-	100,000	-	100,000	4,857	104,857
恒創泰富No. 8	300,000	08.03.2017	08.03.2018	5.20%	-	300,000	-	300,000	-	300,000
恒創泰富No. 9	200,000	10.03.2017	09.03.2018	5.20%	-	200,000	-	200,000	-	200,000
恒創泰富No. 11	500,000	27.06.2017	27.06.2018	5.78%	-	500,000	-	500,000	-	500,000
恒創泰富No. 12	500,000	21.07.2017	20.07.2018	5.45%	-	500,000	-	500,000	-	500,000
					2,832,624	1,600,000	(2,832,624)	1,600,000	4,857	1,604,857

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 41. DEBT INSTRUMENTS (CONTINUED)

### Beneficiary certificates: (Continued)

Name	Par value	Issuance		Interest rate	2016				Accrued Interest	Book value as at 31 December 2016
		date	Due date		Par value		As at 31 December 2016			
					1 January 2016	Issuance	Redemption	As at 31 December 2016		
Hengfu No. 1	244,830	02.04.2015	21.09.2016	6.90%	244,830	-	(244,830)	-	-	-
Hengfu No. 2	28,160	03.04.2015	21.09.2016	6.90%	28,160	-	(28,160)	-	-	-
Hengfu No. 3	36,720	09.04.2015	28.09.2016	6.90%	36,720	-	(36,720)	-	-	-
Hengfu No. 4	151,660	10.04.2015	28.09.2016	6.90%	151,660	-	(151,660)	-	-	-
Hengfu No. 5	29,740	15.04.2015	11.10.2016	6.90%	29,740	-	(29,740)	-	-	-
Hengfu No. 7	304,140	17.04.2015	11.10.2016	6.90%	304,140	-	(304,140)	-	-	-
Hengfu No. 9	300,000	06.05.2015	04.05.2017	6.55%	300,000	-	-	300,000	32,624	332,624
Hengfu No. 11	200,000	20.05.2015	07.11.2016	6.65%	200,000	-	(200,000)	-	-	-
Hengfu No. 12	300,000	30.06.2015	29.06.2017	6.00%	300,000	-	(300,000)	-	-	-
Hengfu No. 13	500,000	18.09.2015	18.09.2017	4.90%	500,000	-	(500,000)	-	-	-
恒創泰富No. 1	500,000	12.09.2016	13.03.2017	3.50%	-	500,000	-	500,000	-	500,000
恒創泰富No. 2	500,000	14.09.2016	15.03.2017	3.60%	-	500,000	-	500,000	-	500,000
恒創泰富No. 3	500,000	17.11.2016	17.11.2017	3.70%	-	500,000	-	500,000	-	500,000
恒創泰富No. 4	500,000	18.11.2016	17.11.2017	3.80%	-	500,000	-	500,000	-	500,000
恒創泰富No. 5	500,000	23.11.2016	23.11.2017	3.80%	-	500,000	-	500,000	-	500,000
					2,095,250	2,500,000	(1,795,250)	2,800,000	32,624	2,832,624

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 41. DEBT INSTRUMENTS (CONTINUED)

### Subordinated bonds:

Name	Par value	Issuance date	Due date	Nominal interest rate	2017			
					Book value as at 1 January 2017	Issuance	Redemption	Book value as at 31 December 2017
14 恒泰債(123321)	1,000,000	11.11.2014	11.11.2019 (with early redemption option on 11.11.2017)	6.90%	1,000,000	-	(1,000,000)	-
14 恒泰債(123291)	300,000	16.12.2014	16.12.2019 (with early redemption option on 16.12.2017)	6.54%	300,000	-	(300,000)	-
14 恒泰債(123262)	200,000	30.01.2015	30.01.2020 (with early redemption option on 30.01.2018)	6.70%	200,000	-	-	200,000
恒泰證券股份有限公司2017次級債	1,500,000	01.11.2017	01.11.2022 (with early redemption option on 01.11.2020)	5.90%	-	1,500,000	-	1,500,000
恒泰期貨股份有限公司次級債	40,000	15.08.2016	15.08.2020 (with early redemption option on 15.08.2018)	6.00%	40,000	-	-	40,000
					1,540,000	1,500,000	(1,300,000)	1,740,000

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 41. DEBT INSTRUMENTS (CONTINUED)

### Subordinated bonds: (Continued)

Name	Par value	Issuance date	Due date	Nominal interest rate	2016		
					Book value as at 1 January 2016	Issuance	Book value as at 31 December 2016
14 恒泰債(123321)	1,000,000	11.11.2014 (with early redemption option on 11.11.2017)	11.11.2019	6.90%	1,000,000	–	1,000,000
14 恒泰債(123291)	300,000	16.12.2014 (with early redemption option on 16.12.2017)	16.12.2019	6.54%	300,000	–	300,000
14 恒泰債(123262)	200,000	30.01.2015 (with early redemption option on 30.01.2018)	30.01.2020	6.70%	200,000	–	200,000
恒泰期貨股份有限公司次級債	40,000	15.08.2016 (with early redemption option on 15.08.2018)	15.08.2020	6.00%	–	40,000	40,000
					1,500,000	40,000	1,540,000

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

As approved by CSRC, the Group issued 4-year subordinated bond with nominal value of RMB40 million on 15 August 2016. This subordinated bond was unlisted.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 41. DEBT INSTRUMENTS (CONTINUED)

### Short-term corporate bonds:

Name	Issuance date	Due date	Nominal interest rate	2017			
				Book value as at 1 January 2017	Issuance	Redemption	Book value as at 31 December 2017
				恒泰短债D3	14.09.2016	14.09.2017	3.7%
				300,000	-	(300,000)	-

Name	Issuance date	Due date	Nominal interest rate	2016			
				Book value as at 1 January 2016	Issuance	Redemption	Book value as at 31 December 2016
				恒泰短债D1	30.10.2015	28.10.2016	4.8%
恒泰短债D2	18.12.2015	16.12.2016	4.6%	500,000	-	(500,000)	-
恒泰短债D3	14.09.2016	14.09.2017	3.7%	-	300,000	-	300,000
				1,000,000	300,000	(1,000,000)	300,000

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 41. DEBT INSTRUMENTS (CONTINUED)

### Long-term corporate bond:

Name	Issuance date	Due date	Nominal interest rate	2017		Book value as at 31 December 2017
				Book value as at 1 January 2017	Issuance	
14恒泰05(136215)	29.01.2016	29.01.2019	3.42%	1,500,000	-	1,500,000

Name	Issuance date	Due date	Nominal interest rate	2016		Book value as at 31 December 2016
				Book value as at 1 January 2016	Issuance	
14恒泰05(136215)	29.01.2016	29.01.2019	3.42%	-	1,500,000	1,500,000

## 42. PLACEMENTS FROM A FINANCIAL INSTITUTION

	2017	2016
Placements from China Securities Finance Corporation Limited	700,000	900,000

As at 31 December 2017, the placements from China Securities Finance Corporation Limited bear interests ranging from 5.4% to 5.5% (2016: 3.0% to 3.2%) per annum, with remaining maturities within 1 and 2 months (2016: within 2 and 3 months).



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

### 43. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

	2017	2016
Clients' deposits for:		
– margin financing and securities lending	794,279	655,309
– other brokerage business	9,234,054	11,546,028
	<b>10,028,333</b>	12,201,337

Account payables to brokerage clients represent the monies received from and repayable to brokerage clients. Account payables to brokerage clients are interest bearing at the prevailing interest rate.

The majority of the account payables balances are repayable on demand except where certain account payables to brokerage clients represent monies received from clients for the margin financing activities under normal course of business, such as margin financing and securities lending. Only the amounts in excess of the required amount of margin deposits and cash collateral are repayable on demand.

### 44. EMPLOYEE BENEFIT PAYABLES

	2017				As at 31 December
	As at 1 January	Accrued for the year	Payments made	Disposal of subsidiaries <i>(Note 59(a))</i>	
Short-term benefits	514,864	1,028,368	(1,121,092)	(6,897)	415,243
Defined contribution plans	488	58,034	(57,670)	(363)	489
	<b>515,352</b>	<b>1,086,402</b>	<b>(1,178,762)</b>	<b>(7,260)</b>	<b>415,732</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 44. EMPLOYEE BENEFIT PAYABLES (CONTINUED)

	2016			
	As at 1 January	Accrued for the year	Payments made	As at 31 December
Short-term benefits	748,711	1,102,318	(1,336,165)	514,864
Defined contribution plans	724	48,626	(48,862)	488
	749,435	1,150,944	(1,385,027)	515,352

## 45. OTHER CURRENT LIABILITIES

	2017	2016
Payables to:		
– other investors of consolidated structural entities	<b>3,254,570</b>	1,259,412
– limited partners of consolidated limited partnerships	<b>18,242</b>	125,723
Other payables	<b>163,695</b>	159,578
Interest payables	<b>148,884</b>	114,802
Taxes and surcharges payables	<b>41,362</b>	36,397
	<b>3,626,753</b>	1,695,912

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 46. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2017	2016
<b>Analysis by collateral type:</b>		
<b>Non-current</b>		
Equity securities	90,000	100,000
Rights and interests in margin financing	500,000	500,000
	<b>590,000</b>	600,000
<b>Current</b>		
Debt securities	2,465,778	2,193,186
Rights and interests in margin financing	2,600,000	2,800,000
	<b>5,065,778</b>	4,993,186
	<b>5,655,778</b>	5,593,186
<b>Analysis by market:</b>		
<b>Non-current</b>		
Bank and other financial institutions	590,000	600,000
<b>Current</b>		
Inter-bank market	713,080	781,057
Shanghai Stock Exchange	1,362,884	1,063,800
Shenzhen Stock Exchange	389,814	348,329
Bank and other financial institutions	2,600,000	2,800,000
	<b>5,065,778</b>	4,993,186
	<b>5,655,778</b>	5,593,186

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 46. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)

	2017	2016
<b>Analysis by transaction type:</b>		
<b>Non-current</b>		
Pledged	590,000	600,000
<b>Current</b>		
Pledged	4,915,998	4,588,869
Sold	149,780	404,317
	<b>5,065,778</b>	4,993,186
	<b>5,655,778</b>	5,593,186

As at 31 December 2017, the carrying amount of the financial assets at fair value through profit or loss, available-for-sale financial assets and margin account receivables that had been placed as financial assets sold under repurchase agreements of the Group are listed as below:

	2017	2016
Financial assets at fair value through profit or loss	2,872,498	3,019,836
Available-for-sale financial assets	-	197,327
Margin account receivables	3,465,247	3,694,496
	<b>6,337,745</b>	6,911,659

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 47. SHARE CAPITAL AND SHARE PREMIUM

### (a) Share capital

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

	2017	2016
At 1 January and 31 December	2,604,567	2,604,567

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

### (b) Share premium

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

## 48. PERPETUAL CAPITAL SECURITIES

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

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

## 49. RESERVES

### (a) Surplus reserve

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

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 49. RESERVES (CONTINUED)

### (b) General risk reserve

- (i) In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company and its subsidiary, Hengtai Changcai, appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.
- (ii) In accordance with the requirements of the CSRC Interim Measures for Supervision and Administration on Risk Reserve for Public Securities Investment Fund Raising (Zhengjianhui Ling [No. 94]), the Group's subsidiary, New China Fund, appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.
- (iii) In accordance with the requirements of the Ministry of Finance Circular regarding the Issuance of Implementation Guidance on Financial Planning of Financial Institutions (Caijin [2007] No. 23) issued on 30 March 2007, the Group's subsidiary, Hengtai Futures, appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.

### (c) Transaction risk reserve

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company and its subsidiary, Hengtai Changcai, appropriate 10% of its annual net profit, as determined under PRC GAAP, to the transaction risk reserve.

### (d) Investment revaluation reserve

	2017	2016
As at 1 January	<b>87,350</b>	54,324
Change in fair value recognised in other comprehensive income	<b>405,501</b>	92,950
Less: deferred tax	<b>(101,375)</b>	(23,238)
Transfer to profit or loss upon disposal	<b>(1,680)</b>	(48,914)
Less: deferred tax	<b>511</b>	12,228
As at 31 December	<b>390,307</b>	87,350

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 50. RESERVE MOVEMENT IN COMPANY EQUITY

	Share capital	Share premium	Perpetual capital securities	Surplus reserve	General risk reserve	Transaction risk reserve	Investment revaluation reserve	Share of other comprehensive income of associates	Retained profits	Total equity
<b>As at 1 January 2016</b>	2,604,567	1,661,236	1,500,000	425,812	492,078	479,872	36,139	861	2,268,386	9,468,951
Total comprehensive income for the year	-	-	-	-	-	-	(5,848)	(861)	233,869	227,160
Dividend paid (Note 22)	-	-	-	-	-	-	-	-	(362,457)	(362,457)
Appropriation to:										
- surplus reserve	-	-	-	23,388	-	-	-	-	(23,388)	-
- general risk reserve	-	-	-	-	23,388	-	-	-	(23,388)	-
- transaction risk reserve	-	-	-	-	-	23,388	-	-	(23,388)	-
Others	-	4,000	-	-	-	-	-	-	-	4,000
<b>At 31 December 2016</b>	2,604,567	1,665,236	1,500,000	449,200	515,466	503,260	30,291	-	2,069,634	9,337,654
<b>As at 1 January 2017</b>	2,604,567	1,665,236	1,500,000	449,200	515,466	503,260	30,291	-	2,069,634	9,337,654
Total comprehensive income for the year	-	-	-	-	-	-	(28,609)	-	597,066	568,457
Dividend paid (Note 22)	-	-	-	-	-	-	-	-	(102,000)	(102,000)
Appropriation to:										
- surplus reserve	-	-	-	59,706	-	-	-	-	(59,706)	-
- general risk reserve	-	-	-	-	59,706	-	-	-	(59,706)	-
- transaction risk reserve	-	-	-	-	-	59,706	-	-	(59,706)	-
<b>At 31 December 2017</b>	2,604,567	1,665,236	1,500,000	508,906	575,172	562,966	1,682	-	2,385,582	9,804,111

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 51. TRANSFERRED FINANCIAL ASSETS

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

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

	2017		2016	
	Carrying amount of transferred assets	Carrying amount of related liabilities	Carrying amount of transferred assets	Carrying amount of related liabilities
Repurchase agreements	145,387	149,780	399,510	404,317
Securities lending	-	-	348	-

## 52. COMMITMENTS

### Capital commitments

As at 31 December 2017, the capital commitments outstanding not provided for in the consolidated financial statements are as follows:

	2017	2016
Acquisition of property and equipment	374,600	373,950
Acquisition of intangible assets	147,280	12,219
	521,880	386,169



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 52. COMMITMENTS (CONTINUED)

### Lease commitments

#### The Group as lessee

As at 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
Within 1 year (inclusive)	99,806	88,028
1–2 years (inclusive)	48,572	69,647
2–3 years (inclusive)	15,700	23,628
After 3 years	7,011	12,807
	<b>171,089</b>	194,110

#### The Group as lessor

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2017	2016
Within 1 year (inclusive)	1,400	2,250
1–2 years (inclusive)	350	1,400
2–3 years (inclusive)	–	350
	<b>1,750</b>	4,000

### Underwriting commitments

As at 31 December 2017, according to the relevant underwriting agreements, underwriting commitments taken but not provided for by the Group are amounted to RMB50,020 million (2016: RMB29,870 million).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 53. INTERESTS IN STRUCTURED ENTITIES

### (a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group mainly stand for the assets management schemes where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the assets management schemes to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2017, the total assets of the consolidated assets management schemes are RMB4,595.50 million (2016: RMB2,251.83 million), and the carrying value of interests held by the Group in the consolidated assets management schemes are RMB86.85 million (2016: RMB250.59 million) and RMB Nil (2016: RMB98.89 million), which are accounted for as available-for-sale financial assets and financial assets at fair value through profit or loss respectively in respective financial statements of the entities.

### (b) Structured entities sponsored by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include assets management schemes, trust schemes, wealth management products, investment funds and asset-backed securities products issued by banks and other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issuance of investment units to investors.

As at 31 December 2017, the carrying amount of the related accounts in the consolidated statement of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions, which are listed as below:

	2017		Total
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	
Assets management schemes	10,250	1,123,960	1,134,210
Investment funds	585	150,163	150,748
Asset-backed securities products	–	724,234	724,234
	10,835	1,998,357	2,009,192

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 53. INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

### (b) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

	2016		Total
	Available-for-sale financial assets	Financial assets at fair value through profit or loss	
Assets management schemes	1,574,689	–	1,574,689
Investment funds	100,421	1,282,613	1,383,034
Asset-backed securities products	–	142,128	142,128
	1,675,110	1,424,741	3,099,851

### (c) Structured entities sponsored by the Group

Structured entities for which the Group served as general partner or manager, therefore has power over them during the year are assets management schemes and investment funds. Except for the structured entities that the Group has consolidated as set out in Note 53(a), the Group's exposure to the variable returns in the structured entities in which the Group has interest are not significant. The Group therefore did not consolidate these structured entities.

As at 31 December 2017, the details of these unconsolidated structured entities managed by the Group are as follows:

	2017	2016
Total assets of unconsolidated structured entities	<b>32,383,585</b>	24,130,669
Carrying amount of the investments held by the Group	<b>474,227</b>	831,147
Fees receivables by the Group	<b>11,658</b>	6,532

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 54. CONTINGENT LIABILITIES

As at 31 December 2017, the Group is not involved in any material legal, arbitration or administrative proceedings which would have significant adverse impact on the financial position and operating results, should unfavorable rulings have been handed down (2016: Nil).

## 55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (a) Relationship of related parties

#### (i) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership as below.

	2017	2016
Baotou Huazi Industry Co., Ltd ("Baotou Huazi")*	11.83%	11.83%
Beijing Qingyun Intercontinental Technology Co., Ltd	8.71%	8.71%
Beijing Financial Street Xihuan Properties Co., Ltd	8.12%	8.12%
Beijing Huijin Jiaye Investment Ltd	7.92%	7.92%
Beijing Financial Street Investment (Group) Co., Ltd	6.35%	6.35%
Beijing Huarong Infrastructure Investment Co., Ltd	5.95%	5.95%
Beijing Hongzhi Huitong Industrial Co., Ltd	5.91%	5.91%
Tibet Dazi Huifa Investment Co., Ltd	5.91%	5.91%
Zhongchang Hengyuan Holding Co., Ltd ("Zhongchang Hengyuan")*	2.88%	2.88%
Shanghai Yida Technology Investment Co., Ltd ("Shanghai Yida")*	2.33%	2.33%

\* Baotou Huazi is held by Tomorrow Holding Limited Company ("Tomorrow Holding") as to approximately 54.32%. Tomorrow Holding, Zhongchang Hengyuan and Shanghai Yida, being direct or indirect shareholders of the Company, entered into an acting-in-concert agreement. As at 31 December 2017, Baotou Huazi, Zhongchang Hengyuan and Shanghai Yida aggregately are interested in approximately 17.04% of the Company's share capital.

#### (ii) Subsidiaries of the Company

The details information of the Company's subsidiaries is set out in Note 27.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (a) Relationship of related parties (Continued)

#### (iii) Associates

The details information of the Group's associates is set out in Note 28.

#### (iv) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the board of supervisors and senior management, and close family members of such individuals.

### (b) Related parties transactions and balances

Transactions/balances between the Group and major shareholders:

	2017	2016
Balances as at reporting date:		
– Account payables to brokerage clients	15,064	40,577
– Other current assets	342	–
Transactions during the year:		
– Fees and commission income	338	33
– Interest expenses	65	302
– Rental expenses	7,993	9,064
– Other operating expenses	–	648

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (c) Key management personnel remuneration

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Group, including members of the Board of Directors, board of supervisors and other members of the senior management.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 19 and certain of the highest paid employees as disclosed in Note 20, is as follows:

	2017	2016
Short-term benefits		
Fees, salaries, allowance and bonus	49,299	30,037
Post-employment benefit		
Contribution to pension schemes	707	602
	50,006	30,639

Total remuneration is included in "staff costs" as disclosed in Note 13.

### (d) Applicability of the listing rules related to connected transactions

The related party transactions in respect of rental expenses above constitute connected transactions as defined in Chapter 14A of the Listing Rules. Those transactions are complied with the disclosure requirements in accordance with Chapter 14A of the Main Board Listing Rules.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 56. SEGMENT REPORTING

The Group manages and conducts its business activities by business segments. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following segments:

- (a) Brokerage and wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of the clients, and also providing investment and financing solutions to high-end, professional and institutional clients, including sale of financial products, margin financing and securities lending, securities-backed lending;
- (b) Investment banking segment provides corporate finance services, including financial advisory, equity underwriting and debt underwriting services as well as New Over-the-Counter Board-related services to institutional clients; Also, as chief agency broker, provides services to companies entering into National Equities Exchange and Quotations for share quotation and transfer;
- (c) Proprietary trading segment engages in trading of equities, bonds, funds, and derivatives for the Group;
- (d) Investment management segment includes businesses on assets management, private equity investments and alternative investments; and
- (e) Other segment mainly represents other operations of head office, including investments in associates, as well as interest income and interest expenses arising from general working capital.

Segment profit or loss represents the profit earned or loss incurred by each segment without the allocation of income tax expense and the share of profits less losses of its associates. Segment assets and liabilities are allocated to each segment, excluding deferred tax assets or liabilities.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 56. SEGMENT REPORTING (CONTINUED)

	Brokerage and wealth management	Investment banking	Proprietary trading	Investment management	Others	Total
<b>For the year ended 31 December 2017</b>						
Revenue						
– External	1,684,126	294,430	887,788	955,546	77,543	3,899,433
– Inter-segment	(16,908)	–	1	16,907	–	–
Other income and gains	1,165	734	–	7,697	5,624	15,220
Segment revenue and other income	1,668,383	295,164	887,789	980,150	83,167	3,914,653
Segment expenses	(1,492,315)	(224,263)	(298,405)	(694,885)	(190,194)	(2,900,062)
Segment operating profit/ (loss)	176,068	70,901	589,384	285,265	(107,027)	1,014,591
Share of profits less losses of associates	–	–	–	–	(1,686)	(1,686)
(Loss)/profit before tax	176,068	70,901	589,384	285,265	(108,713)	1,012,905
Other segment information:						
Interest income	711,463	14,454	17,718	41,243	77,543	862,421
Interest expenses	(359,278)	–	(208,757)	(175,078)	–	(743,113)
Depreciation and amortisation	(67,520)	(2,542)	(265)	(15,999)	(6,748)	(93,074)
Impairment losses/ (reversal of impairment losses)	(28,227)	–	18,153	(25,349)	–	(35,423)
Capital expenditure	68,729	354	111	27,702	21,572	118,468
<b>At 31 December 2017</b>						
Segment assets	17,952,096	492,156	8,892,666	7,425,721	1,542,154	36,304,793
Deferred tax assets						112,194
Total assets						36,416,987
Segment liabilities	16,620,584	102,730	4,208,419	4,296,017	124,971	25,352,721
Deferred tax liabilities						121,834
Total liabilities						25,474,555



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 56. SEGMENT REPORTING (CONTINUED)

	Brokerage and wealth management	Investment banking	Proprietary trading	Investment management	Others	Total
For the year ended 31 December 2016						
Revenue						
– External	1,833,202	450,621	202,195	972,063	63,157	3,521,238
– Inter-segment	2,971	(2)	–	(2,969)	–	–
Other income and gains	3,241	50	17	7,705	8,904	19,917
Segment revenue and other income	1,839,414	450,669	202,212	976,799	72,061	3,541,155
Segment expenses	(1,410,774)	(330,992)	(287,568)	(691,310)	(176,811)	(2,897,455)
Segment operating profit/ (loss)	428,640	119,677	(85,356)	285,489	(104,750)	643,700
Share of profits less losses of associates	–	–	–	–	(1,123)	(1,123)
Profit/(loss) before tax	428,640	119,677	(85,356)	285,489	(105,873)	642,577
Other segment information:						
Interest income	716,774	12,653	878	26,836	62,383	819,524
Interest expenses	(315,593)	–	(250,101)	(125,730)	–	(691,424)
Depreciation and amortisation	(58,793)	(2,270)	(281)	(14,675)	(5,305)	(81,324)
Impairment losses/ (reversal of impairment losses)	1,349	(2,470)	–	(5,061)	–	(6,182)
Capital expenditure	79,034	849	189	12,660	64,809	157,541
At 31 December 2016						
Segment assets	20,002,565	466,842	8,057,724	6,106,667	2,424,606	37,058,404
Deferred tax assets						90,192
Total assets						37,148,596
Segment liabilities	19,073,049	97,154	5,056,544	2,733,173	251,129	27,211,049
Deferred tax liabilities						1,342
Total liabilities						27,212,391

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 56. SEGMENT REPORTING (CONTINUED)

The Company and its subsidiaries mainly operate in the PRC. The Group's operating assets are substantially situated in the PRC. As a result, no segment analysis based on geographical locations of the customers and assets is provided.

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group monitors and controls key exposures to the credit risk, liquidity risk, market risk and operational risk from its use of financial instruments.

### (a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

During the year, the Group was exposed to three types of credit risk:

- (i) default risk of the issuer or counterparty in debt securities trading;
- (ii) risk of losses arising from default of customers in credit business such as margin financing and securities lending, securities-backed lending and stock repurchases; and
- (iii) risk of losses to the funds of the Company or customers arising from default of the financing party in innovative credit business.

The Group uses its risk management systems to monitor its credit risk on a real time basis, keep track of the credit risk of the Group's business products and its transaction counterparties, provide analyses and pre-warning reports, and adjust its credit limits in a timely manner. The Group will also measure the credit risks of its major operations through stress test and sensitivity analysis.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

For credit risk in debt securities trading, the Group monitors the issuer and bonds during the year. The Group established the credit rating framework and conducted research on the debt securities held by the Group. The Group also assessed the creditability of counterparties to mitigate related default risk. In respect of margin financing and securities lending, securities-backed lending and stock repurchases business, the Group evaluates the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determines the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and securities lending, securities-backed lending and stock repurchases business and promptly communicated with customers on any abnormalities identified to avoid defaults. In respect of innovative credit business, preliminary due diligence was performed with a comprehensive project feasibility report and a due diligence report submitted for approval by the Group before a project can be launched.

- (i) The maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	2017	2016
Refundable deposits	<b>614,506</b>	466,710
Other current assets	<b>573,389</b>	682,411
Margin account receivables	<b>5,322,835</b>	5,145,143
Available-for-sale financial assets	–	97,400
Financial assets at fair value through profit of loss	<b>8,751,222</b>	6,106,276
Financial assets held under resale agreements	<b>1,661,659</b>	1,530,233
Clearing settlement funds	<b>773,387</b>	1,109,951
Cash held on behalf of brokerage clients	<b>9,491,666</b>	11,947,659
Bank balances	<b>2,338,494</b>	3,206,336
	<b>29,527,158</b>	30,292,119

- (ii) Risk concentrations

The Group's major credit exposures are with counterparties domiciled in the PRC as of 31 December 2017.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### (iii) Credit rating analysis of financial assets

The Group adopts credit rating method to monitor the credit risk of the debt securities portfolio. Rating of debt securities is referred from major rating institutions in which debt issuers located. The carrying amount of debt securities at the reporting date are categorised by rating distribution as follows:

	2017	2016
Rating		
– AAA	<b>1,941,397</b>	871,868
– From AA- to AA+	<b>5,538,389</b>	3,652,800
– A-1	<b>239,224</b>	312,682
	<b>7,719,010</b>	4,837,350
Non-rating	<b>1,032,212</b>	1,366,326
	<b>8,751,222</b>	6,203,676

### (b) Liquidity risk

Liquidity risk arises in the investment activities, financing activities and capital management of the Group. Liquidity risk includes:

- (1) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small;
- (2) funding liquidity of being unable to meet financial obligations when they come due.

The following tables show the details of the remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (b) Liquidity risk (Continued)

	2017						Total
	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	
<b>Financial liabilities</b>							
Debt instruments	4,844,857	-	5,177	504,801	1,103,052	3,986,150	5,599,180
Placements from a financial institution	700,000	-	702,728	-	-	-	702,728
Account payables to brokerage clients	10,028,333	10,028,333	-	-	-	-	10,028,333
Other current liabilities	3,626,753	51,859	35,237	115,138	3,424,519	-	3,626,753
Financial assets sold under repurchase agreements	5,655,778	1,729,701	736,560	966	2,698,710	535,044	5,700,981
	<b>24,855,721</b>	<b>11,809,893</b>	<b>1,479,702</b>	<b>620,905</b>	<b>7,226,281</b>	<b>4,521,194</b>	<b>25,657,975</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (b) Liquidity risk (Continued)

	2016							Total
	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years		
<b>Financial liabilities</b>								
Debt instruments	6,172,624	-	5,177	1,007,101	2,277,802	3,373,837	6,663,917	
Placements from a financial institution	900,000	-	-	905,074	-	-	905,074	
Account payables to brokerage clients	12,201,337	12,201,337	-	-	-	-	12,201,337	
Other current liabilities	1,656,401	7,505	13,261	1,474,627	161,008	-	1,656,401	
Financial assets sold under repurchase agreements	5,593,186	-	2,106,423	88,373	2,852,888	639,018	5,686,702	
	26,523,548	12,208,842	2,124,861	3,475,175	5,291,698	4,012,855	27,113,431	

### (c) Market risk

Market risk is the risk of loss, in respect of the Group's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices, foreign exchange rates and so on. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return. The Group monitors the market risk for proprietary trading portfolios. Stress testing is conducted regularly, and the potential movements of risk and operating indicators in a variety of scenarios are calculated.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (c) Market risk (Continued)

#### (i) Interest rate risk of proprietary trading portfolios

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the reporting date, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit and net other comprehensive income. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	Sensitivity of net profit	
	2017	2016
<b>Change in basis points</b>		
Increase 100 basis points	(139,146)	(112,667)
Decrease 100 basis points	145,074	119,223

	Sensitivity of net other comprehensive income	
	2017	2016
<b>Change in basis points</b>		
Increase 100 basis points	-	(377)
Decrease 100 basis points	-	383

#### (ii) Currency risk

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates.

The Group's currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies different from the functional currency of the Group.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (c) Market risk (Continued)

#### (ii) Currency risk (Continued)

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, the majority of the business transactions are denominated in RMB, with only insignificant revenue from foreign currency transactions. The Group consider that their currency risk is immaterial.

#### (iii) Price risk

The Group is exposed to equity price changes arising from equity investments concluded in financial assets at fair value through profit or loss and available-for-sale financial instruments. Price risk facing by the Group is mainly the proportionate fluctuation in the Group's net profits due to the price fluctuation of the held for trading financial instruments and the proportionate fluctuation in the Group's net other comprehensive income due to the price fluctuation of the available-for-sale financial instruments.

The analysis below is performed to show the impact in the Group's net profit and net other comprehensive income due to change in the prices of equity securities by 10% with all other variables held constant.

	Sensitivity of net profit	
	2017	2016
Increase by 10%	318,475	166,249
Decrease by 10%	(318,475)	(166,249)

	Sensitivity of net other comprehensive income	
	2017	2016
Increase by 10%	130,522	275,067
Decrease by 10%	(130,522)	(275,067)



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (d) Capital management

The Group's and the Company's objectives of capital management are:

- (i) To safeguard the Group's and the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's and the Company's stability and growth;
- (iii) To maintain a strong capital base to support the development of their business; and
- (iv) To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2016) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

- (i) Risk coverage ratio (the ratio of net capital divided by the sum of its various risk capital provisions) shall be no less than 100% ("Ratio 1");
- (ii) Capital leverage ratio (the ratio of net core capital divided by total assets on and off statement of financial position) shall be no less than 8% ("Ratio 2");
- (iii) Liquidity coverage ratio (the ratio of high quality liquid assets divided by net cash outflows in the coming 30 days) shall be no less than 100% ("Ratio 3");
- (iv) Net stable funding ratio (the ratio of stable funds available divided by stable funds required) shall be no less than 100% ("Ratio 4");
- (v) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 5");
- (vi) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 6");
- (vii) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 7");
- (viii) The ratio of the value of proprietary equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 8"); and

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (d) Capital management (Continued)

(ix) The ratio of the value of proprietary non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 9").

Net capital refers to net assets after risk adjustments on certain types of assets as defined in the Administrative Measures.

As at 31 December 2017, the Company maintained the above ratios as follows:

	2017	2016
Net Capital	<b>7,834,239</b>	6,865,531
Ratio 1	<b>203.78%</b>	230.37%
Ratio 2	<b>26.25%</b>	22.89%
Ratio 3	<b>520.72%</b>	824.68%
Ratio 4	<b>154.83%</b>	131.44%
Ratio 5	<b>78.82%</b>	72.71%
Ratio 6	<b>71.19%</b>	53.95%
Ratio 7	<b>90.32%</b>	74.20%
Ratio 8	<b>33.28%</b>	40.09%
Ratio 9	<b>86.58%</b>	98.93%

Similar to the Company, certain subsidiary of the Group is also subject to capital requirements set by the CSRC, and it has complied with the capital requirements as at 31 December 2017.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (e) Categories of financial instruments

	2017	2016
<b>Financial assets:</b>		
Financial assets at fair value through profit or loss		
– Held for trading	<b>12,553,288</b>	8,214,330
– Designated at fair value through profit or loss	<b>444,272</b>	108,605
Loans and receivables (including cash and cash equivalents)	<b>20,803,556</b>	24,237,163
Available-for-sale financial assets	<b>1,740,299</b>	3,764,962
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	<b>24,806,065</b>	26,523,548

## 58. FAIR VALUE MEASUREMENTS

The Group adopts the following methods and assumptions when evaluating fair values:

- (i) Financial assets including cash and bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, and financial liabilities including placements from other financial institutions and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate their fair values.
- (ii) Financial assets at fair value through profit or loss, derivatives and available-for-sale financial assets are stated at fair value unless the fair values cannot be reliably measured. For the financial instruments traded in active open markets, the Group uses market prices or markets rates as the best estimate for their fair values. For the financial instruments without any market price or market rate, the Group determines the fair values of these financial assets and financial liabilities by discounted cash flow or other valuation methods.
- (iii) The fair values of debt instruments are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair values using pricing models or discounted cash flow.
- (iv) Margin account receivables and other current assets, account payables to brokerage clients are within one year. Accordingly, the carrying amounts approximate their fair values.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 58. FAIR VALUE MEASUREMENTS (CONTINUED)

The carrying amount and fair value of debt instruments which are not presented at fair value are listed as below:

	2017	2016
Carrying amount of financial liabilities:		
– subordinated bonds	<b>1,740,000</b>	1,540,000
– long-term corporate bond	<b>1,500,000</b>	1,500,000
	<b>3,240,000</b>	3,040,000

	2017			
	Level 1	Level 2	Level 3	Total
Fair value of financial liabilities:				
– subordinated bonds	–	<b>1,681,301</b>	<b>40,000</b>	<b>1,721,301</b>
– long-term corporate bond	–	<b>1,466,613</b>	–	<b>1,466,613</b>
	–	<b>3,147,914</b>	<b>40,000</b>	<b>3,187,914</b>

	2016			
	Level 1	Level 2	Level 3	Total
Fair value of financial liabilities:				
– subordinated bonds	–	1,526,545	40,000	1,566,545
– long-term corporate bond	–	1,482,153	–	1,482,153
	–	3,008,698	40,000	3,048,698

Except as disclosed above, the directors of the Company considers that the carrying amount of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 58. FAIR VALUE MEASUREMENTS (CONTINUED)

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three level inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 58. FAIR VALUE MEASUREMENTS (CONTINUED)

### (a) Disclosures of level in fair value hierarchy:

	2017			
	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements:</b>				
Financial assets at fair value through profit or loss:				
– Debt securities for trading purpose	1,852,906	6,417,044	37,000	8,306,950
– Equity securities	2,283,316	111,232	37,638	2,432,186
– Investment funds	312,331	458,661	19,000	789,992
– Assets management schemes	–	1,024,160	–	1,024,160
– Debt securities designated at fair value through profit or loss	100,704	343,568	–	444,272
	<b>4,549,257</b>	<b>8,354,665</b>	<b>93,638</b>	<b>12,997,560</b>
<b>Available-for-sale financial assets:</b>				
– Equity securities	280,688	388,270	926,803	1,595,761
– Investment funds	–	33,163	40,315	73,478
– Assets management schemes	–	71,060	–	71,060
	<b>280,688</b>	<b>492,493</b>	<b>967,118</b>	<b>1,740,299</b>
	<b>4,829,945</b>	<b>8,847,158</b>	<b>1,060,756</b>	<b>14,737,859</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 58. FAIR VALUE MEASUREMENTS (CONTINUED)

### (a) Disclosures of level in fair value hierarchy: (Continued)

	2016			Total
	Level 1	Level 2	Level 3	
<b>Recurring fair value measurements:</b>				
Financial assets at fair value through profit or loss:				
– Debt securities for trading purpose	1,654,268	3,986,403	357,000	5,997,671
– Equity securities	262,323	180,744	54,624	497,691
– Investment funds	713,362	1,004,598	–	1,717,960
– Assets management schemes	–	1,008	–	1,008
– Debt securities designated at fair value through profit or loss	–	108,605	–	108,605
	2,629,953	5,281,358	411,624	8,322,935
<b>Available-for-sale financial assets</b>				
– Debt securities	80,660	16,740	–	97,400
– Equity securities	735,748	292,533	675,785	1,704,066
– Investment funds	243,941	100,421	–	344,362
– Assets management schemes	–	1,608,134	–	1,608,134
	1,060,349	2,017,828	675,785	3,753,962
	3,690,302	7,299,186	1,087,409	12,076,897

During the year, there were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy except for two equity securities with fair value of RMB103.458 million which were successfully listed during the year were transferred from Level 3 to Level 1 and Level 2 (2016: Nil).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 58. FAIR VALUE MEASUREMENTS (CONTINUED)

### (b) Reconciliation of financial assets measured at fair value based on Level 3:

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
At 1 January 2017	411,624	675,785	1,087,409
Losses for the year	(11,337)	–	(11,337)
Changes in fair value recognised in other comprehensive income	–	338,604	338,604
Purchases	19,000	60,997	79,997
Transfers	–	(103,458)	(103,458)
Sales and settlements	(325,649)	(4,810)	(330,459)
At 31 December 2017	93,638	967,118	1,060,756
Total gains or losses included in profit or loss for financial assets during the year	–	–	–

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
At 1 January 2016	506,925	332,907	839,832
Losses for the year	(3,806)	(4,000)	(7,806)
Changes in fair value recognised in other comprehensive income	–	(9,211)	(9,211)
Purchases	290,224	604,091	894,315
Sales and settlements	(381,719)	(248,002)	(629,721)
At 31 December 2016	411,624	675,785	1,087,409
Total gains or losses included in profit or loss for financial assets during the year	–	(4,000)	(4,000)



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 58. FAIR VALUE MEASUREMENTS (CONTINUED)

### (b) Reconciliation of financial assets measured at fair value based on Level 3: (Continued)

The total gains or losses recognised in other comprehensive income are presented in fair value gain on available-for-sale financial assets in the consolidated statement of profit or loss and other comprehensive income.

The total gains or losses recognised in profit or loss including the financial assets held during the year are presented in net investment income in the consolidated statement of profit or loss.

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements as at 31 December 2017:

The Group's financial market department is responsible for the fair value measurements of financial assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. The financial market department reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial market department and the Board of Directors periodically.

A majority of the financial assets at fair value through profit or loss classified as Level 2 consist of debt securities and bond investments trading in the inter-bank bond market and the over-the-counter market. Fair values are determined based on recent transaction prices in inactive markets and using valuation techniques.

A majority of the available-for-sale financial assets classified as Level 2 consist of restricted shares, close-end funds and collective assets management schemes. Fair values of restricted shares are determined by the quoted market prices of the shares with an adjustment of discount for lack of marketability. Fair values of close-end funds are determined by trading price which is based on the net asset value at the reporting date. Fair values of collective assets management schemes are determined based on the fair value of the underlying investments in each portfolio.

For financial instruments in Level 3, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 58. FAIR VALUE MEASUREMENTS (CONTINUED)

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements as at 31 December 2017: (Continued)

Level 3 fair value measurements

Description	2017		
	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs
Debt securities, private placements bonds	Discounted cash flows	Risk adjusted discount rates	Decrease
Unlisted equity investments	Market comparable companies	Discount rate for lack of marketability	Increase
	Net assets value	N/A	N/A

Description	2016		
	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs
Debt securities, private placements bonds	Discounted cash flows	Risk adjusted discount rates	Decrease
Unlisted equity investments	Market comparable companies	Discount rate for lack of marketability	Decrease
	Net assets value	N/A	N/A

There were no changes in the valuation techniques used.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 59. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Disposal of subsidiaries

#### (i) Disposal of Shenzhen Hengtai Xihe Equity Investment Fund Management Co., Ltd.

Pursuant to an agreement dated 22 March 2017 entered into between a subsidiary of the Company, Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司, "Hengtai Capital") and an independent third party, Hengtai Capital disposed its interest in a 51%-owned subsidiary, Shenzhen Hengtai Xihe Equity Investment Fund Management Co., Ltd. (深圳恒泰義和股權投資基金管理有限公司, "Hengtai Xihe") for a cash consideration of RMB0.85 million. The consideration was the same as the net assets value of Hengtai Xihe attributable to the Group, resulting in no gain or loss on disposal of Hengtai Xihe.

Hengtai Xihe was engaged in investment consulting, investment management, entrusted management of equity, investment funds, equity investment in unlisted companies, entrusted assets management and equity investment during the period. The disposal was completed on 30 March 2017.

#### (ii) Disposal of Beijing Hengtai Puhui Information Service Co., Ltd.

On 13 February 2017, a subsidiary of the Company, Hengtai Pioneer Investments Co., Ltd. (恒泰先鋒投資有限公司, "Hengtai Pioneer"), entered into an agreement to dispose 70% equity interests of its wholly owned subsidiary, Beijing Hengtai Puhui Information Service Co., Ltd. (北京恒泰普惠信息服務有限公司, "Hengtai Puhui"), at a consideration of RMB20.790 million. The disposal was completed on 1 August 2017, and the Group recorded a sum of gain on disposal amounted to RMB14.635 million.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 59. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### (a) Disposal of subsidiaries (Continued)

As of the disposal date, the net assets of the above disposed subsidiaries were as follows:

Property and equipment	60
Intangible assets	19
Deferred tax assets	5,624
Other non-current assets	20,155
Other current assets	2,023
Available-for-sale financial assets	2,100
Financial assets held under resale agreements	150
Cash and bank balances	13,802
Employee benefit payables	(7,260)
Other current liabilities	(19,221)
Current tax liabilities	(717)
Non-controlling interests	(818)
Net assets disposed of	15,917
Gain on disposal of subsidiaries ( <i>Note 9</i> )	14,635
<b>Total consideration</b>	<b>30,552</b>
Consideration satisfied by	
– Cash consideration	21,642
– Fair value of remaining equity interest	8,910
	<b>30,552</b>
Net cash inflow arising on disposal:	
Cash consideration received	21,642
Cash and cash equivalents disposed of	(13,802)
	<b>7,840</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2017 (Expressed in thousands of Renminbi, unless otherwise stated)

## 59. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### (b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2017	Cash flows	Interest expenses	Accrued interests	31 December 2017
Debt instruments					
<i>(Note 41)</i>	6,172,624	(1,300,000)	(280,215)	252,448	4,844,857

## 60. EVENTS AFTER THE REPORTING PERIOD

On 29 December 2017, the Company was informed by nine shareholders of the Company (collectively, the "Sellers") that, the Sellers have entered into a legal binding framework sale and purchase agreement with CITIC Guoan Group Company Limited ("Citic Guoan Group"), pursuant to which the Sellers have agreed to sell, and Citic Guoan Group has agreed to purchase (through itself or nominee) a total of 779,687,560 ordinary shares of the Company, representing approximately 29.94% of the issued share capital of the Company, subject to the signing of definitive agreement by the Sellers and Citic Guoan Group before 31 March 2018 and approval by China Securities Regulatory Commission.

The estimated total consideration is RMB9,000 million. The final total consideration will be determined by an audit firm and valuer with valuation date to be agreed in the definitive agreement.