

A row of chess pawns is shown on a dark, reflective surface. The pawns are arranged in a line that recedes into the background. The pawn in the foreground is a vibrant blue, while the others are dark grey or black. The blue pawn has the same circular logo as the company logo on its top. The surface reflects the pawns, creating a clear mirror image.

**ANNUAL
REPORT
2017**

海通证券股份有限公司
HAITONG SECURITIES CO., LTD.*

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

Stock Code: 6837

** For identification purpose only*

CONTENTS

Section I	DEFINITIONS AND IMPORTANT RISK WARNINGS	3
Section II	COMPANY PROFILE AND KEY FINANCIAL INDICATORS	7
Section III	SUMMARY OF THE COMPANY'S BUSINESS	23
Section IV	REPORT OF THE BOARD OF DIRECTORS	29
Section V	SIGNIFICANT EVENTS	74
Section VI	CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS	104
Section VII	PREFERENCE SHARES	114
Section VIII	PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES	115
Section IX	CORPORATE GOVERNANCE	164
Section X	CORPORATE BONDS	202
Section XI	FINANCIAL REPORT	212
Section XII	DOCUMENTS AVAILABLE FOR INSPECTION	213
Section XIII	INFORMATION DISCLOSURE OF SECURITIES COMPANY	214

IMPORTANT NOTICE

The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of contents of this annual report (the “**Report**”) and that there is no false representation, misleading statement contained herein or material omission from this Report, for which they will assume joint and several liabilities.

This Report was considered and approved at the 29th meeting of the sixth session of the Board. The number of Directors to attend the Board meeting should be 13 and the number of Directors who actually attended the Board meeting was 11. Ms. Yu Liping, a non-executive Director, and Mr. Feng Lun, an independent non-executive Director, were unable to attend the Board meeting in person due to business trips, and had appointed Ms. Zhang Xinmei, a non-executive Director, and Mr. Xiao Suining, an independent non-executive Director, to vote on their behalves respectively.

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

BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) and Deloitte Touche Tohmatsu has audited the Company’s annual financial reports prepared in accordance with PRC GAAP and IFRS respectively, and issued standard and unqualified audit reports of the Company. All the financial data in this Report are denominated in RMB unless otherwise indicated.

Mr. Zhou Jie, Chairman of the Company, Mr. Li Chuqian, Chief Financial Officer, and Mr. Ma Zhong, head of the accounting department warrant the truthfulness, accuracy and completeness of the financial report contained in this Report.

The Board considered and approved the profit distribution proposal or proposal on transfer of capital reserve funds into share capital for the Reporting Period, which are as follows:

On the basis of the total share capital of 11,501,700,000 A Shares and H Shares as at 31 December 2017, a cash dividend of RMB2.30 for every 10 shares (inclusive of tax) will be distributed to holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date, with a total amount of cash dividend of RMB2,645,391,000.00. The retained profits of the Company of RMB17,817,845,957.76 following the cash dividend distribution will be carried forward to the next year.

Forward-looking statements, including future plans and development strategies, may be included in this Report. All statements contained herein other than statements of historical fact are, or may be deemed to be, forward-looking statements. Neither the Company nor any of its subsidiaries undertakes any obligation to publicly update or revise any forward-looking statement as a result of new information. Investors should be reminded of the risks of investments and not place undue reliance on forward-looking statements.

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

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

SECTION I DEFINITIONS AND IMPORTANT RISK WARNINGS

I. DEFINITIONS

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

“A Share(s)”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed and traded on the Shanghai Stock Exchange
“Articles of Association” or “Articles”	the articles of association of Haitong Securities
“Board”	the board of Directors of Haitong Securities
“China” or “PRC”	the People’s Republic of China, and for the purposes of this Report only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“Company” or “Haitong Securities”	Haitong Securities Co., Ltd.
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of Haitong Securities
“EUR”	the official currency of the Eurozone
“Fortune HFT”	Shanghai Fortune HFT Asset Management Co., Ltd. (上海富誠海富通資產管理有限公司)
“Fullgoal Fund”	Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)
“Group”	the Company and its subsidiaries
“Gui’an UT”	Gui’an UT Financial Leasing (Shanghai) Co., Ltd. (貴安恆信融資租賃(上海)有限公司)

SECTION I DEFINITIONS AND IMPORTANT RISK WARNINGS

“H Share(s)”	ordinary shares in the share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“Haitong Bank”	Haitong Bank, S.A.
“Haitong Capital”	Haitong Capital Investment Co., Ltd. (海通開元投資有限公司)
“Haitong-Fortis PE”	Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司)
“Haitong Futures”	Haitong Futures Co., Ltd. (海通期貨股份有限公司)
“Haitong Innovation Securities”	Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司)
“Haitong International Holdings”	Haitong International Holdings Limited (海通國際控股有限公司)
“Haitong International Securities”	Haitong International Securities Group Limited (海通國際證券集團有限公司), listed on the Hong Kong Stock Exchange, stock code: 665
“Haitong Resource”	Shanghai Haitong Resource Management Co., Ltd. (上海海通資源管理有限公司)
“Haitong UniFortune”	Haitong UniFortune International Leasing Co., Ltd. (海通恆運國際租賃有限公司)
“Haitong UniTrust Financial Leasing (Shanghai)”	Haitong UniTrust Financial Leasing (Shanghai) Corporation (海通恆信融資租賃(上海)有限公司)
“Haitong UT”	Haitong UniTrust International Leasing Co., Ltd. (海通恆信國際租賃股份有限公司)
“Haitong UT Capital”	Haitong UT Capital Group Co., Limited (海通恆信金融集團有限公司)
“Haitong UT Holdings”	Haitong UT Holdings Limited (海通恆信融資租賃控股有限公司)

SECTION I DEFINITIONS AND IMPORTANT RISK WARNINGS

“Haitong UT Leasing HK”	Haitong UT Leasing HK Limited (海通恆信租賃(香港)有限公司)
“Haitong Xinchuang”	Haitong Xinchuang Investment Management Co., Ltd. (海通新創投資管理有限公司)
“HFT Investment”	HFT Investment Management Co., Ltd. (海富通基金管理有限公司)
“HK\$”, “HKD” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HT Asset Management”	Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司)
“IFRS”	International Financial Reporting Standards
“IPO”	initial public offering
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“NSSF”	the National Council for Social Security Fund of the PRC
“PRC GAAP”	generally accepted accounting principles in the PRC
“QDII”	Qualified Domestic Institutional Investor
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	from 1 January 2017 to 31 December 2017
“RMB” or “Renminbi”	the lawful currency of the PRC

SECTION I DEFINITIONS AND IMPORTANT RISK WARNINGS

“RQFII”	Renminbi Qualified Foreign Institutional Investor
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange” or “SSE”	the Shanghai Stock Exchange
“Shanghai Weitai Properties”	Shanghai Weitai Properties Management Co., Ltd. (上海惟泰置業管理有限公司)
“Shenzhen Stock Exchange” or “SZSE”	the Shenzhen Stock Exchange
“Supervisor(s)”	the supervisor(s) of Haitong Securities
“Supervisory Committee”	the supervisory committee of Haitong Securities
“US\$”, “USD” or “U.S. dollars”	the lawful currency of the United States of America
“Wind Info”	Wind Information Co., Ltd.

II. IMPORTANT RISK WARNINGS

The business of the Company is highly dependent on the securities market conditions in jurisdictions where the Company operates. Our results of operations may be materially affected by various factors, such as macro-economic situations, cyclical fluctuations of the industry, development stages of the market, behaviour of the investors and the international economic environments.

The Company is exposed to various risks in its business operations, primarily including (i) policy risks, whereby the operations of securities firms in general are subject to material adverse effect caused by national macro-control measures, and changes of laws, regulations, regulatory policies or trading rules applicable to securities industry; (ii) compliance risks, whereby the securities firms may be subject to legal punishment or regulatory penalties or may incur significant financial losses due to failure to comply with laws and regulations, regulatory requirements, rules, relevant standards made by the self-regulatory organisations or code of conducts applicable to the securities firms; (iii) credit risks caused by non-performance of contractual obligations by issuers, borrowers or counterparties of the Company or caused by insufficient collateral provided by borrowers or counterparties of the Company; (iv) market risks, where the Company’s proprietary investments record losses due to adverse fluctuations of market prices (such as the stock price, interest rate, exchange rate or product price); (v) operational risks triggered by deficiencies in internal processes, employees improper operation, IT system failures, or impact from external sources; (vi) liquidity risks, where the exposure of the Company to the liquidity risks is aggravated due to increased leverage ratio through issuing corporate bonds, debt instruments, subordinated debts, short-term corporate bonds; and (vii) reputational risks, where the corporate image of the Company among stakeholders is damaged due to the Company’s operational, management or other acts or the external incidents. All these risks may directly affect the results of operations and financial conditions of the Company. In addition, these effects may overlap with each other due to certain inherent correlation among these risk factors.

For details of the specific risk factors and the risk management measures that the Company has or will take, investors are advised to carefully read “Potential Risks and Prevention Measures” in section IV “Report of the Board of Directors” of this Report, and pay special attention to the above risk factors.

Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

I. CORPORATE INFORMATION

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

Registered Capital and Net Capital of the Company

	As at the end of this Reporting Period	As at the end of last year
Registered capital	11,501,700,000.00	11,501,700,000.00
Net capital	75,292,211,294.80	78,663,534,022.30

Unit: RMB

Scope of business of the Company

Securities brokerage; securities proprietary trading; securities underwriting and sponsorship; securities investment consulting; financial advisory services relating to securities trading and investment activities; direct investment; securities investment fund consignment; provision of intermediary introduction business for the futures companies; margin financing and securities lending; agency sale of financial products; the stock options market making; other businesses approved by the CSRC. In addition, the Company is permitted to establish subsidiaries that are engaged in outbound investments including investments in financial products (projects subject to approval as required by law shall be conducted upon the approval by relevant authorities).

Qualification for each individual business of the Company

1. Online securities entrustment business qualification (Zheng Jian Xin Xi Zi [2001] No. 3)
2. Qualification for lending and purchase of bonds, bond transactions and bond repurchase business in the national inter-bank lending market and the bond market (Yin Ban Han [2001] No. 819)
3. Qualification for lending transactions and bond transactions in the national inter-bank lending center (Zhong Hui Jiao Fa [2001] No. 306)
4. Qualification for acquisition of securities business departments (Hu Zheng Ji Bian [2002] No. 090)
5. Open-end securities investment fund consignment business qualification (Zheng Jian Ji Jin [2002] No. 076)
6. Securities company engaged in relevant innovative activity trials (Zhong Zheng Xie Han [2005] No. 079)
7. Qualification for short-term financial bond underwriting business (Yin Fa [2005] No. 173)
8. Qualification for quotation transfer business (Zhong Zheng Xie Han [2006] No. 3)
9. Qualification for trading on integrated electronic platform of fixed-income securities at Shanghai Stock Exchange (Shang Zheng Hui Han [2007] No. 86)
10. Qualification for National Association of Financial Market Institutional Investors (August 2007)

Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

11. Qualification for overseas securities investment management business as a qualified domestic institutional investor (Zheng Jian Xu Ke [2008] No. 146)
12. A-grade clearing participant qualification of China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2008] No. 22)
13. Qualification for provision of intermediary introduction business for the futures companies (Hu Zheng Jian Ji Gou Zi [2010] No. 122)
14. Qualification for direct investment business trials (Ji Gou Bu Bu Han [2008] No. 421)
15. Qualification for implementation of the broker system (Hu Zheng Jian Ji Gou Zi [2009] No. 302)
16. Qualification of providing trading units for insurance agency investors (Bao Jian Zi Jin Shen Zheng [2009] No. 1)
17. Qualification for margin financing and securities lending business (Zheng Jian Xu Ke [2010] No. 315)
18. Qualification of engaging of stock index futures hedging business through proprietary trading of the company (Hu Zheng Jian Ji Gou Zi [2010] No. 372)
19. Qualification for securities house assigned by NSSF (August 2011)
20. Qualification for fund evaluation business (Zhong Zheng Xie Fa [2010] No. 070)
21. Qualification of engaging of stock index futures through asset management (Hu Zheng Jian Ji Gou Zi [2011] No. 237)
22. Stock repo transaction business trials (Ji Gou Bu Bu Han [2011] No. 512) (Shang Zheng Jiao Zi[2011] No. 37)
23. Qualification for issuance of overseas listed foreign shares (Zheng Jian Xu Ke [2011] No. 1821) (H Share)
24. Trial business of bond collateralized repo with quotes (Ji Gou Bu Bu Han [2011] No. 585)
25. Partnership independent custody business trials (Ji Gou Bu Bu Han [2012] No. 686)
26. Over-the-counter transaction business (Zhong Zheng Xie Han [2012] No. 825)
27. Pilot qualification of engaging of margin and securities refinancing business (Zhong Zheng Jin Han [2012] No. 113)
28. Pilot qualification of underwriting of private debts for SMEs (Zhong Zheng Xie Han [2012] No.561)
29. Qualification for foreign exchange operation in the securities business (SC201307)
30. Qualification for issuance of short-term financing bonds (Department of Fund and Intermediary Supervision Han [2014] No. 1551)
31. Qualification for agency sale of financial products (Hu Zheng Jian Ji Gou Zi [2013] No.180)
32. Pilot qualification of conducting capital consumption payment services for client securities (Ji Gou Bu Bu Han [2013] No. 741)
33. Qualification of the 11th batch of insurance agency for 2013 (Hu Bao Jian Xu Ke [2013] No.204)
34. Qualification for agency distributing precious metal spot contract such as gold and proprietary trading for gold spot contract (Ji Gou Bu Bu Han [2013] No. 959)
35. Custody qualification of security investment funds (Zheng Jian Xu Ke [2013] No. 1643)
36. Qualification for agency business of securities pledge registration (February 2014)
37. Internet securities business trials (Zhong Zheng Xie Han [2014] No. 358)
38. Membership qualification on the gold exchange (Certificate No. T004)
39. Pilot issuance of short-term corporate bonds by securities companies (Shang Zheng Duan Zhai [2014] No. 4)

Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

40. Business pilot of financing-oriented option exercise with respect to share incentive schemes of listed companies (Shenzhen Han [2014] No. 321)
41. Qualification for the stock options market making business (Zheng Jian Xu Ke [2015] No. 153)
42. Principal market maker in SSE 50 ETF options contracts (Shang Zheng Han [2015] No. 214)
43. Business qualification for options settlement (Zhong Guo Jie Suan Han Zi [2015] No. 20)
44. Futures membership certificate (Certificate number: NO. G02008)
45. Qualification for offshore proprietary business (Ji Gou Bu Han [2015] No. 1204)
46. No comment letter on innovative program of one-way video account opening (Zhong Guo Jie Suan Ban Zi [2015] No. 461)
47. Qualification for inter-bank gold price asking transactions (Shang Jin Jiao Fa [2015] No. 120)
48. Qualification for carrying on main underwriting business of debt financial instruments for non-financial enterprises (August 2016)
49. Qualification for note dealing (Yin Ban Fa [2016] No. 224)
50. Qualification for relevant business on tools mitigating credit risk (January 2017)

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

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Representative of Securities Affairs
Name	Jiang Chengjun	Sun Tao
Correspondence address	12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC (Postal Code: 200001)	12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC (Postal Code: 200001)
Telephone	8621-23219000	8621-23219000
Facsimile	8621-63410627	8621-63410627
Email	jiangcj@htsec.com	sunt@htsec.com

Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

III. BASIC CORPORATE INFORMATION

Registered address	No. 689 Guangdong Road, Shanghai, PRC
Postal code of registered address	200001
Business address	No. 689 Guangdong Road, Shanghai, PRC
Postal code of business address	200001
Internet website	http://www.htsec.com
Email	haitong@htsec.com
Principal place of business in Hong Kong	21st Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Central, Hong Kong
Search index for changes in registration during the Reporting Period	http://www.sse.com.cn
Unified social credit code in the business license	9131000013220921X6
Chief Compliance Officer	Wang Jianye

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times
Website designated by the CSRC for publication of annual reports	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publication of annual reports	http://www.hkexnews.hk
Place where annual reports of the Company are available	Office of the Board, 12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC

V. BRIEF INFORMATION ON THE SHARES OF THE COMPANY

Class of shares	Stock exchange of listing	Stock name	Stock code	Stock name before changes	Share Registrar
A Share	Shanghai Stock Exchange	Haitong Securities	600837	–	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
H Share	Hong Kong Stock Exchange	HAITONG SEC	6837	–	Computershare Hong Kong Investor Services Limited

Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VI. OTHER INFORMATION OF THE COMPANY

(I) History of the Company

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

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

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

Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

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

Upon approval of the CSRC with the Zheng Jian Gong Si Zi [2007] No. 90 document, on 7 June 2007, Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) ("SUABC" hereinafter), a company listed on the Shanghai Stock Exchange, disposed all its assets and liabilities to Bright Food (Group) Co., Ltd. (a controlling shareholder of the Company) and merged with the former Haitong Securities through the reverse takeover. Following completion of the reverse takeover, the subsisting company was renamed as Haitong Securities Co., Ltd. (海通證券股份有限公司) and carried on all businesses of the former Haitong Securities, taking over the employees, assets and liabilities of the former Haitong Securities. On 29 June 2007, registration of the new shares in Shanghai Branch of China Securities Depository and Clearing Corporation Limited was completed. On 6 July 2007, the subsisting company filed relevant changes with Shanghai Administration for Industry & Commerce with its registered share capital changed to RMB3,389,272,910.

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

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

Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

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

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

Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(II) Organizational Structure of the Company

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

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

2. Principal subsidiaries and joint-stock companies of the Company

(1) HFT Investment Management Co., Ltd.

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

Establishment date: 18 April 2003

Registered capital: RMB300 million

Shareholding percentage: 51%

Legal representative: Zhang Wenwei

Tel: 021-38650999

Scope of business: Fund raising, fund sales, asset management and other businesses permitted by the CSRC. (Projects subject to approval as required by law shall be conducted upon the approval by relevant authorities)

(2) Fullgoal Fund Management Co., Ltd.

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

Establishment date: 13 April 1999

Registered capital: RMB300 million

Shareholding percentage: 27.775%

Legal representative: Xue Aidong

Tel: 021-20361818

Scope of business: Publicly raised securities investment fund management, fund sales, asset management for specific customers. (Projects subject to approval as required by law shall be conducted upon the approval by relevant authorities)

Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

Establishment date: 18 October 2004

Registered capital: RMB100 million

Shareholding percentage: 67%

Legal representative: Li Baoguo

Tel: 021-62883005

Scope of business: Industrial investment fund management, investment advisory and investment fund formation. (Projects subject to approval as required by law shall be conducted upon approval by relevant authorities)

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

Registered address: Level 17, Unit 01, 03, 04 of Level 6, Level 25 and Unit 05 of Level 2, No. 1589 Century Avenue, Pudong New Area, Shanghai

Establishment date: 18 March 1993

Registered capital: RMB1,300 million

Shareholding percentage: 66.667%

Legal representative: Wu Hongsong

Tel: 021-61871688

Scope of business: commodity futures brokerage, financial futures brokerage and futures investment advisory services, asset management and fund sales. (Projects subject to approval as required by law shall be conducted upon approval by relevant authorities)

(5) *Haitong International Holdings Limited*

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

Establishment date: 24 July 2007

Authorized capital: HK\$8,850 million

Issued capital: HK\$8,850 million

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

Shareholding percentage: 100%

Tel: 852-39268888

Nature of business: Investment holdings

Scope of business: Investment holdings, engaging in brokerage, corporate financing, assets management and other businesses permitted by Hong Kong securities regulatory rules through establishment of various subsidiaries. (Projects subject to approval as required by law shall be conducted upon approval by relevant authorities)

Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

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

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

Establishment date: 23 October 2008

Registered capital: RMB10,650 million

Shareholding percentage: 100%

Legal representative: Zhang Xiangyang

Tel: 021-63410311

Scope of business: Using its own funds or establishing direct investment funds to make equity investments and debt investments in relation to equity in enterprises or investing in other investment funds in relation to equity investments; providing investment advisory, investment management and financial advisory services on equity investments to clients; and other businesses permitted by the CSRC. (Projects subject to approval as required by law shall be conducted upon approval by relevant authorities)

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

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

Establishment date: 24 April 2012

Registered capital: RMB3,500 million

Shareholding percentage: 100%

Legal representative: Shi Jianlong

Tel: 021-23219000

Scope of business: Financial products investment, securities investment, investment advisory and investment management. (Projects subject to approval as required by law shall be conducted upon approval by relevant authorities)

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

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

Establishment date: 26 June 2012

Registered capital: RMB2,200 million

Shareholding percentage: 100%

Legal representative: Pei Changjiang

Tel: 021-23219000

Scope of business: Securities asset management. (Projects subject to approval as required by law shall be conducted upon approval by relevant authorities)

Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(9) *Shanghai Weitai Properties Management Co., Ltd.*

Registered address: Level 3, No. 689 Guangdong Road, Huangpu District, Shanghai

Establishment date: 8 January 2014

Registered capital: RMB10 million

Shareholding percentage: 100%

Legal representative: Gong Zhihong

Tel: 021 – 23219000

Scope of business: Real estate development and management, and property management. (Projects subject to approval as required by law shall be conducted upon approval by relevant authorities)

(III) Numbers and network of securities branches of the Company

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

VII. OTHER RELEVANT INFORMATION

Accounting firm appointed by the Company (domestic)	Name	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
	Office address	4/F, No. 61 East Nanjing Road, Shanghai
	Signatory accountants	Huang Ye, Chi Yuan
Accounting firm appointed by the Company (overseas)	Name	Deloitte & Touche (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership))
	Office address	35/F, One Pacific Place, No.88 Queensway, Hong Kong
	Signatory accountant	Man Kai Sze
Legal Advisor to the Company, as to PRC law	Grandall Law Firm (Shanghai)	
Legal Advisor to the Company, as to Hong Kong law	Clifford Chance	

Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

VIII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE GROUP

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

(I) Major accounting data and financial indicators over the past three years

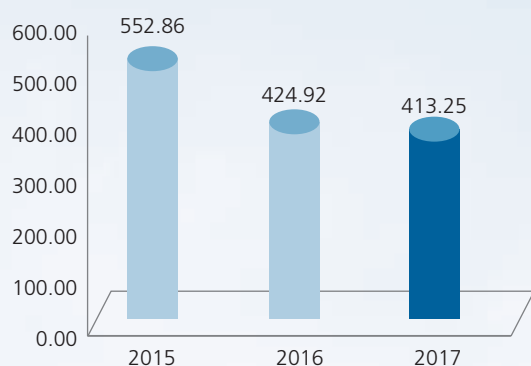
Items	2017	2016	As compared to the last corresponding period	2015
Results of operations (RMB'000)			<i>Change</i>	
Total revenue, gains and other income	41,324,502	42,492,256	-2.75%	55,285,553
Profit before income tax	12,889,397	11,161,727	15.48%	21,118,869
Profit for the year – attributable to owners of the Company	8,618,423	8,043,334	7.15%	15,838,851
Net cash flow (used in)/from operating activities	-37,213,456	-19,268,426	N/A	-33,989,522
Other comprehensive income	793,729	281,583	181.88%	695,633
Earnings per share (RMB/share)			<i>Change</i>	
Basic earnings per share	0.75	0.70	7.14%	1.48
Diluted earnings per share	0.74	0.70	5.71%	1.48
Index of profitability			<i>Change</i>	
Weighted average returns on net assets (%)	7.56	7.39	0.17 percentage point	17.56

Items	As at 31 December 2017	As at 31 December 2016	As compared to the end of the last corresponding period	As at 31 December 2015
Indices of size (RMB'000)			<i>Change</i>	
Total assets	534,706,333	560,865,846	-4.66%	576,448,892
Total liabilities	405,012,029	438,907,445	-7.72%	459,521,221
Accounts payable to brokerage clients	83,774,388	104,059,287	-19.49%	129,026,336
Equity attributable to owners of the Company	117,755,479	110,130,127	6.92%	107,694,545
Total share capital ('000)	11,501,700	11,501,700	–	11,501,700
Net assets per share attributable to owners of the Company (RMB/share)	10.24	9.58	<i>Change</i>	9.36
Gearing ratio (%) ⁽¹⁾	71.24	73.30	6.89% -2.06 percentage points	73.87

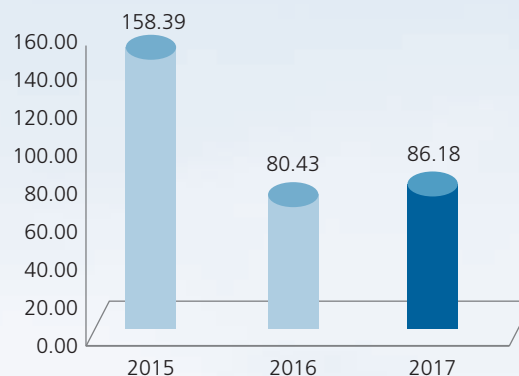
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

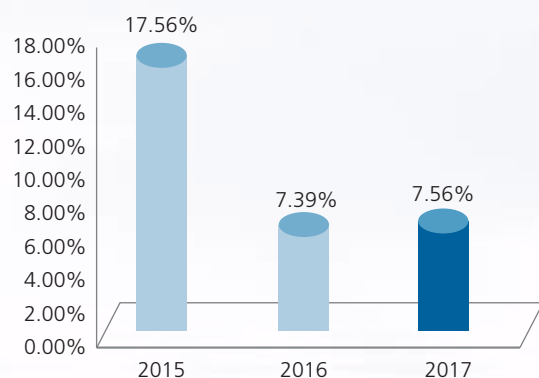
**Total Revenue, gains and other income
(RMB in 100 million)**



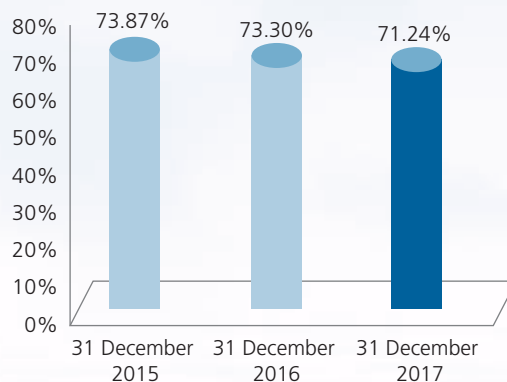
**Profit for the year attributable to owners of the Company
(RMB in 100 million)**



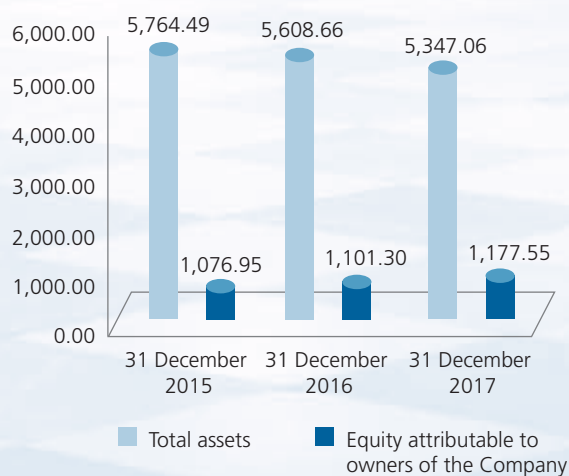
Weighted average returns on net assets



Gearing ratio



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



■ Total assets ■ Equity attributable to owners of the Company

Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(II) Major accounting data and financial indicators over the past five years

1. Profitability

(Unit: RMB'000)

	2017	2016	2015	2014	2013
Total revenue, gains and other income	41,324,502	42,492,256	55,285,553	23,666,866	12,802,734
Total expenses	29,143,592	31,530,964	34,648,129	13,413,806	7,464,926
Profit before income tax	12,889,397	11,161,727	21,118,869	10,420,394	5,454,748
Profit for the year – attributable to owners of the Company	8,618,423	8,043,334	15,838,851	7,710,623	4,035,024

2. Assets

(Unit: RMB'000)

	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Total assets	534,706,333	560,865,846	576,448,892	352,622,149	169,123,603
Total liabilities	405,012,029	438,907,445	459,521,221	280,357,946	105,018,445
Accounts payable to brokerage clients	83,774,388	104,059,287	129,026,336	80,766,843	40,429,567
Equity attributable to owners of the Company	117,755,479	110,130,127	107,694,545	68,364,431	61,506,991
Share capital	11,501,700	11,501,700	11,501,700	9,584,721	9,584,721

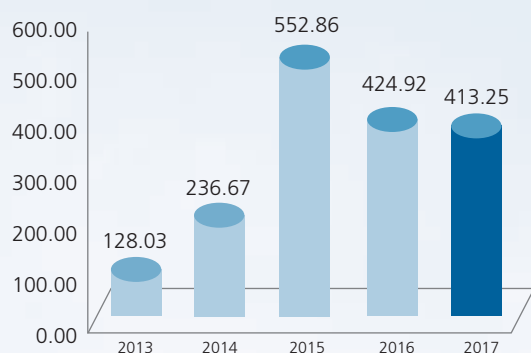
3. Key financial indicators

	2017	2016	2015	2014	2013
Dividend per share					
Basic earnings per share (RMB/share)	0.75	0.70	1.48	0.80	0.42
Diluted earnings per share (RMB/share)	0.74	0.70	1.48	0.80	0.42
Weighted average returns on net assets (%)	7.56	7.39	17.56	11.88	6.70
Gearing ratio (%) ⁽¹⁾	71.24	73.30	73.87	73.42	50.19
Net assets per share attributable to owners of the Company (RMB/share)	10.24	9.58	9.36	7.13	6.42

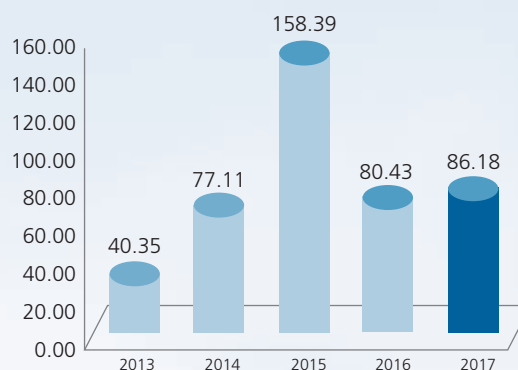
Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

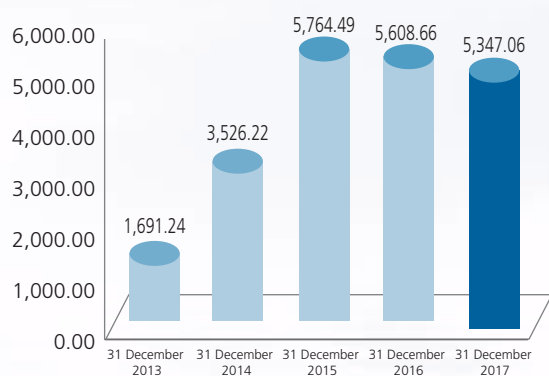
**Total Revenue, gains and other income
(RMB in 100 million)**



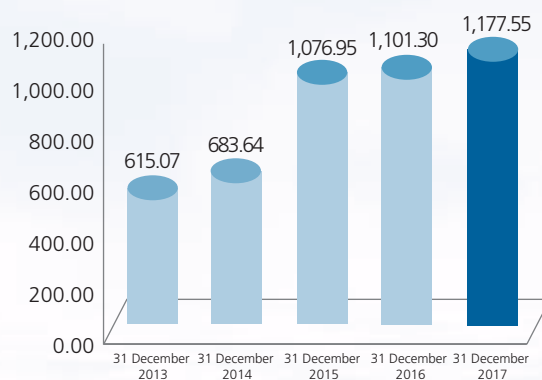
**Profit for the year attributable to owners of the Company
(RMB in 100 million)**



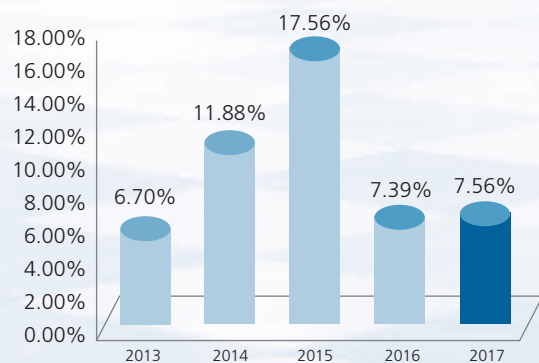
**Total assets
(RMB in 100 million)**



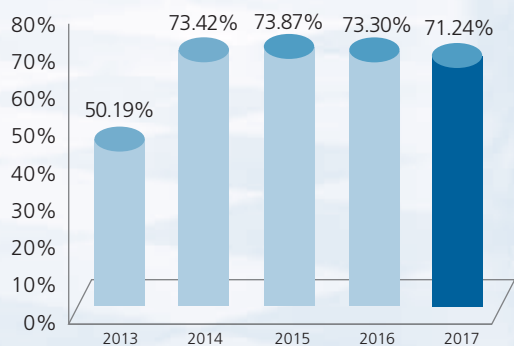
**Equity attributable to owners of the Company
(RMB in 100 million)**



Weighted average returns on net assets



Gearing ratio



Section II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(III) Accounting data differences between IFRS and PRC GAAP

The net profits for the year 2017 and 2016 and the net assets as at 31 December 2017 and 31 December 2016 as stated in the consolidated financial statements of the Group prepared in accordance with PRC GAAP are consistent with those in accordance with IFRS.

(IV) Net capital and other risk control indicators of the Company

As at 31 December 2017, the net capital of the Company as calculated in accordance with PRC GAAP was RMB75,292 million, representing a decrease of RMB3,372 million as compared to the end of the previous year (RMB78,664 million). During the Reporting Period, all risk control indicators including net capital of the Company met the regulatory requirements.

Items	31 December 2017	31 December 2016
Net capital(RMB'000)	75,292,211	78,663,534
Net assets(RMB'000)	106,859,158	101,244,982
Risk coverage ratio	249.31%	258.90%
Capital leverage ratio	27.06%	27.64%
Liquidity coverage ratio	188.90%	155.23%
Net stable funding rate	135.49%	131.65%
Net capital/net assets	70.46%	77.70%
Net capital/liabilities	50.16%	52.56%
Net assets/liabilities	71.20%	67.65%
Proprietary equity securities and securities derivatives/net capital	30.78%	29.66%
Proprietary non-equity securities and derivatives held/net capital	57.72%	80.98%

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

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

I. DESCRIPTIONS OF THE PRINCIPAL BUSINESSES OF THE COMPANY, ITS OPERATING MODELS AND INDUSTRIES DURING THE REPORTING PERIOD

1. Principal businesses and operating models of the Company during the Reporting Period

The Company's principal business lines comprise securities and futures brokerage, investment banking, proprietary trading, direct investment, asset management, financial leasing and overseas business.

Securities and futures brokerage refers to the execution of trades of securities and futures by the Company upon the instruction and order of and for the benefit of customers in consideration of commissions paid by customers. The Company segments its clients into retail clients, high-net-worth individuals, corporate clients and financial institutional clients. The Company provides tailor-made and comprehensive service solutions based on the differentiated needs of various kinds of customers.

Investment banking refers to the intermediary services provided by the Company to corporate customers for their shares or bonds issuance to raise long term capital in the equity or debt capital market, as well as the financial advisory services provided by the Company to corporate customers in relation to capital structure optimization, industry integration, or business transformation, in each case in consideration of the agreed service fee paid by customers. The investment banking business of the Company is further categorized, based on the nature of services, into business segments of equity financing, debt financing, acquisition financing, National Equities Exchange and Quotations and structural financing. The Company strives to provide customers with "one stop" onshore and offshore investment banking services.

Proprietary trading refers to the investment by the Company of its proprietary funds in the capital market in expectation of receiving investment gains. The proprietary trading business of the Company may be further categorized into equity investment, fixed-income investment and alternative investment based on investment targets.

Direct investment refers to investment in the equity interests of non-public companies by the Company with its proprietary funds in return for investment gains on equity interest disposal through initial public offering or merger and acquisition deal of the investee companies.

Asset management refers to the management and operation of the customers' assets by the Company as the asset manager in accordance with the methods, conditions, requirements and limitations agreed in the asset management contracts and provision of investment management services related to securities and other financial products for customers. HT Asset Management carries out business including targeted business, collective business, specialized business, QDII business, and innovative business. The principal businesses of HFT Investment and Fullgoal Fund include management of mutual funds (including QDII), asset management for corporate annuities, NSSF and specific customers, providing professional fund investment services for investors. The Company also operates a number of professional private equity (PE) investment platforms, which provides services including management of industrial investment funds, investment consultation and promotion and establishment of investment funds.

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

Financial leasing business refers to the delivery of the right to use certain leased properties to the lessees by the Company as the lessor in return for fees charged against the lessees. Haitong UT is the main leasing business platform of the Company. Currently, Haitong UT operates in a wide range of industries, including infrastructure, transportation & logistics, industrials, education, health care, construction & real estate and the chemical industry. Haitong UT leverages rich industrial experience and market channels and works with renowned domestic and overseas equipment manufacturers to provide comprehensive financing solutions and services for customers' business growth. In the past two years, Haitong UT has taken the initiatives to explore the business model of securities firm-affiliated financial leasing, and has launched a diversified product portfolio which integrates equity investment with debt investment to provide more innovative structured financing solutions to customers.

Haitong International Securities and Haitong Bank are the major platform that carries out the overseas business of the Company. The core business of Haitong International Securities covers corporate financing, brokerage and margin financing, investment management, fixed income, foreign exchange and commodity, structured investment and financing, cash and stocks as well as stock derivatives. It provides professional services to global and local corporate customers, institutional customers and retail customers. Haitong Bank, with a history of over 26 years, offers extensive investment banking services to corporate and institutional customers around the world. Its business presence covers Portugal, Brazil, Mexico, Poland and Spain, and it specializes in securities, research, capital market, merger and acquisition, financial advisory and project financing.

2. Development stage and cyclical features of the industry in which the Company operates during the Reporting Period

In 2017, the stock market in China saw divergent performances as the Shanghai-Shenzhen CSI 300 Index which tracks the performance of Blue Chip companies gained 22% while the Growth Enterprise Index (GEI) declined 11%. Total trading volume of A shares for the year amounted to RMB229 trillion (total executed values of buy orders and sell orders), representing a year-on-year decrease of 11%. As affected by the macro-control policies of "deleveraging, controlling money supply and restructuring" (去槓桿·控總量·調宏觀), domestic bond market weakened further, and the China Bond New Composite Index (net price) fell 4.2% during the year; total value of direct financing shrank and total value of equity financing amounted to RMB1.6 trillion, representing a year-on-year decrease of 16%; total value of bond issuance was RMB20.6 trillion, representing a year-on-year decrease of 12%, in which the financial and corporate bond financing accounted for RMB12.2 trillion, representing a year-on-year decrease of 15%; and ABS issuance amounted to RMB1.49 trillion, representing a year-on-year increase of 65%. In terms of the market competition and development trend in the industry, securities firms were eager to replenish their capital while the overall asset distribution in the industry remained stable, but large securities firms accounted for an increasing share of total revenue and profit generated in the industry; revenue from traditional businesses (such as brokerage, proprietary business and underwriting and sponsoring) represented a lower proportion, and the mapping out strategic businesses (wealth management, asset management, prime broker and international business) was accelerated. Along with the progress of deleveraging on the macroeconomic level, and the increasing demand on the financial services sectors to support the development of the real economy, the capital market will be presented with new opportunities for development and the growth prospect of the industry will remain favourable.

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

In 2017, the Company continued to adhere to a customer-focus approach. It relied on its traditional "fee-based" business including brokerage, investment banking and asset management and continued to develop its "capital-based" intermediary business and investment business as the new powerhouses, leveraged on innovation and globalization as the driving force, strived to achieve the development goals of conglomeration, globalization, and informatization. The Company maintained and consolidated its strategic "first-mover" advantages, progressively implemented strategic pipeline projects, made solid progress in various fronts and achieved satisfactory operating results.

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

For changes in major assets which accounted for over 5% of the total assets as at the end of the Reporting Period and range of such change during the Reporting Period exceeding 30%, please see "II. (I). 4. Analysis on principal components of consolidated statement of financial position" in Section IV of this Report for details.

Of which: off-shore assets amounted to RMB148,608,587,501.66, accounting for 27.79 % of the total assets.

III. ANALYSIS ON THE COMPANY'S CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the course of its operations over the years, the Company has gradually built up its specific core competitiveness in following six aspects:

1. Solid capital strength

From 2007 to 2017, the Company seized the market opportunities to increase its capital rapidly through a number of strategic equity financing transactions including A-share and H-share listing and secondary offering as well as bond issuance. In 2017, the Company further diversified its financing channels to include corporate bonds, subordinated bonds, ABS, M&A loans, debt instruments, receivables transfer and refinancing while effectively controlling its financing costs and diversifying its financing channels, which provided sufficient funds for the Company's business development and implementation of strategic projects. Strong capital resources enable the Company to enjoy first-mover advantages for its transformation and development.

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

2. Outstanding comprehensive financial service platform

In furtherance of the Company's securities business, the Company kept expanding the scope of its financial products and services and broadened the scope of financial services through setting up and acquiring professional subsidiaries. It has developed into a financial service conglomerate with businesses covering brokerage, investment banking, asset management, private equity investment, alternative investment and financial leasing. The Company's brokerage business boasts a strong customer base; its investment banking business tops the league; the active assets under management of its asset management business increases steadily; the size and profitability of its private equity investment business ranks top in the industry; the performance indicators of its Hong Kong business ranks top among all market players; its financial leasing business enjoys an industry-leading position; and its research services business enjoys strong market influence. The integrated financial platform generates strong economies of scale and cross-selling potentiality, which vigorously supports the business development and enables comprehensive financing services for customers.

3. Extensive branch network and strong customer base

As at 31 December 2017, the Company had 331 securities and futures business departments (including 290 securities business departments and 41 futures business departments), across 30 provinces, municipalities and autonomous regions in the PRC. The Company also established branches, subsidiaries and representative offices in 14 countries and regions in Asia, Europe, North America and South America. Leveraging its branch network across China and strategic international outreach, the Company has built a large and stable customer base. As at 31 December 2017, the Company had over 11.3 million customers at home and abroad.

4. Market leading international business platform

The Company has acquired and consolidated Haitong International Securities and Haitong Bank, and has established a branch in the free trade zone in China, which enables the Company to establish a platform for its international business which is among the best players in the industry and allows the Company to gain first-mover advantages in the Asian-Pacific region, as well as access to strategic pipeline projects in Europe and the United States.

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

In 2017, the investment banking business of Haitong International Securities continued its leading position. It ranked first among all the PRC securities firms based in Hong Kong in terms of the total value of equity financing, and ranked first among all the PRC securities firms based in Hong Kong in terms of total value of offshore bond issuance. Its securities trading business has made a successful transformation. The newly launched trading service system provides institutional customers worldwide with 24-hour comprehensive electronic transactions and the system is a proprietary intellectual property. The scale of and revenue from its asset management business continued to increase with a total amount of HK\$66 billion assets under its management. At the same time, Haitong International Securities has further promoted the integration of international financial resources and achieved good results. After the Indian business integration, it completed the largest IPO of private enterprises in the recent ten years in India. The follow-up integration of the US and UK businesses has been initiated, and Haitong International Securities' overseas strategic layout has been further optimized.

Haitong Bank is an integral part of the Company's globalization strategy, specializing in the local market in Iberia and over 20 years' experience in the overseas markets. It aimed to support the cross-border business with communication among China, Europe, South America and Africa, and will expand Company's geographic coverage of its business presence, and prepare the Company for its accelerated globalization. The Company's FTZ branch is one of the first group of securities institutions participated in the FTU system of the free trade zone, and is the first PRC securities firm that completed the cross-border financing project under FT. These market leading, well-established and multi-jurisdiction international business platforms will help the Company seize the opportunity for the ever growing increasing cross-border businesses, meet customers' demands for cross-border business and improve the Company's international influence.

SECTION III SUMMARY OF THE COMPANY'S BUSINESS

5. Prudential operational philosophy, effective compliance risk management and internal control system

Upholding the compliance and risk management philosophy of “prudence and even conservativeness”, the Company has navigated through multiple market and business cycles, regulatory reforms and industry transformations in the past 30 years of operations. Among the Chinese securities firms established in 1980s, the Company is the only large-scale securities firm that has been continuously operating under the same brand without state-owned capital injection or being acquired or restructured. The Company has established a company-wide risk management system to robustly implement the requirements for overall risk management and to effectively manage market risks, credit risks, liquidity risks and operational risks. The Company has also established effective risk isolation mechanism and appropriate precautionary mechanism across its business lines to prevent potential conflicts of interests. In addition, the Company has established an independent and centralized internal audit and compliance system to effectively monitor and supervise the compliance, authenticity, completeness, and effectiveness of its operations and transactions.

6. Continuously enhanced science and technology strength

The Company adheres to the guiding principle of “unified management, self-initiation and controllability, integration of business and leading development” and gives full support in executing corporate strategies and establishing itself as an iconic PRC investment banks through unremitting efforts in enhancing the technological capabilities in three areas, namely production operation, software R&D and technology management. On the one hand, the Company keeps pace with the development trend of financial technology, moves ahead with strategic initiatives relating to, among others, financial services cloud, big data and artificial intelligence, and fully supports the innovative development of businesses. On the other hand, the Company increasingly improves the self-initiation and controllability of application systems, and is gaining benefits from the self-development of its own Internet finance system, compliance and risk management, and data services. Taking Internet finance as an example, after the launch of the industry-leading PC version of the Securities Exchange System independently developed by the Company in 2017, the “e-HaitongCai” Internet finance platform of the Company now provides connectivity through mainstream terminals such as mobile phones, PCs and iPads. With the advance of its independent R&D capabilities, the Company has registered eight software copyrights in such areas as mobile phone securities system and counter business system, and has applied for the registration of one invention patent.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

I. MANAGEMENT DISCUSSION AND ANALYSIS

In 2017, by focusing on the operational targets set at the beginning of the year, the Company focused on the main theme of supporting the real economy with financial services, seized the market opportunities, actively responded to challenges, and achieved satisfactory operating results. The Company maintained a market leading position in various segments of its wider investment banking business, built up outstanding innovation capability in its bond financing business, and further enhanced its capability to serve the real economy. The size of the financing business of the Company increased steadily and ranked top in the industry. The Company enhanced its credit risk management and maintained high quality credit assets. The Company also strengthened management on the application of proceeds of financing by the borrowers and other fund users, and actively supported financing needs that are in line with national industrial policies. The Company promoted its strategy of becoming a conglomerate, and realized its potentialities continuously, in particular, its direct investment and financial leasing business entered the “harvest season” and formed unique competitive edge in the industry and enriched the means to support the real economy. The Company also further promoted globalization and continued to optimize its overseas strategic layout, in particular Haitong International Securities further consolidated its market position in Hong Kong and built up its brand; Haitong Bank gradually entered the normal track of development. The Company also accelerated the information infrastructure construction and progressively implemented IT development strategy, which substantially improved the informatization business operations and management. The Company further developed and enhanced its compliance and risk management system and eliminated the possibility of occurrence of systematic risks. The Company also actively promoted targeted poverty alleviation as a way of performing its social responsibilities.

II. OPERATIONS DURING THE REPORTING PERIOD

As at 31 December 2017, the total assets of the Group amounted to RMB534,706 million and the net assets of the Group amounted to RMB117,755 million. In 2017, the Group realized revenue of RMB41,325 million, representing a year-on-year decrease of 2.75%, and net profit attributable to the parent company amounted to RMB8,618 million, representing a year-on-year increase of 7.15%. The weighted average return on net assets was 7.56%, representing a year-on-year increase of 0.17 percentage point.

Statement of the Principal Businesses of the Group

Unit: RMB'000

Item	Segment income	Segment expense	Segment profit margin	Segment income movement as compared to last year	Segment expense movement as compared to last year	Segment profit margin movement as compared to last year
Securities and futures brokerage business	13,229,434	9,438,391	28.66%	-11.46%	-3.34%	Decreasing by 5.99 percentage points
Asset management business	2,405,479	1,024,475	57.41%	25.88%	3.75%	Increasing by 9.09 percentage points
Proprietary trading business	7,556,698	5,571,438	26.27%	-16.35%	-19.00%	Increasing by 2.41 percentage points
Investment banking business	2,226,619	1,062,633	52.28%	0.32%	4.95%	Decreasing by 2.10 percentage points
Direct investment business	2,455,674	367,611	88.69%	126.93%	35.37%	Increasing by 11.56 percentage points
Financial leasing business	4,273,218	2,711,021	36.56%	28.24%	22.39%	Increasing by 3.03 percentage points
Overseas business	7,877,318	7,138,042	14.68%	0.81%	0.51%	Increasing by 5.99 percentage points

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(I) Analysis of principal operations

1 Brokerage business

(1) Retail brokerage business

In 2017, the Company attained a market share of 4.68% in terms of stocks and funds trading volume, representing an increase of 0.21 percentage point compared to 2016, and ranked fourth in the industry (ranking sixth in 2016). With 1.33 million new customers in 2017, the total number of customers reached 10.67 million. As at the end of the year, the total amount of the customers' assets reached RMB1,660 billion, representing an increase of 13.4% compared to the end of 2016.

Our Southbound Trading business kept the leading position in the industry. As at the end of 2017, the Company had opened 116,000 Southbound Trading accounts in total. The Company achieved a market share of 9.36% in terms of trading volume, ranking first in the industry.

Changes in terms of trading volume and market share in 2017

	The Reporting Period	Last Corresponding Period
Stocks and funds trading volume (in RMB1,000,000 million)	10.74	11.66
Stocks and funds trading volume market share (%)	4.68	4.47
Market ranking	4	6

Source: Shanghai Stock Exchange, Shenzhen Stock Exchange, internal statistics of the Company

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(2) *Internet finance*

The Company intensified the integration of resources and consistently improved the comprehensive internet financial service development with “e-HaitongCai”(“e海通財”) as its core brand. On one hand, the Company embraced finance technology to construct an account-focused and intelligence-oriented internet platform. On the other hand, the Company built a digital operational system, attained breakthroughs in aspects including precision marketing, client analysis and customized service, and significantly improved the efficiency in customer service. In addition, the Company also improved the system of clients and services classification to accomplish deeper-reaching service differentiation. At the end of the Reporting Period, the number of active mobile end-users of “e-HaitongCai” were more than 19 million. According to the data provided by various third-party data service providers such as Cheetah Data and AppAnnie, the number of active mobile end-users of “e-HaitongCai” had been standing firmly in top three in the industry. The platform had earned good reputation and word of mouth within and outside the industry and also received major awards from various industry media and internet media.

(3) *Financing business*

In 2017, all financing businesses of the Company maintained steady growth. As at the end of the Reporting Period, the scale of the financing business reached RMB161,700 million, ranking second in the industry. During the Reporting Period, based on the improvement of credit risk management, targeted investment management, and project review and approval efficiency, the Company reinforced the tracking and supervision of key projects and clients, strengthened the training for branches, and realized a robust increase in the scale of the financing business as well as a progressive optimization of the structure.

Changes in the scale of the financing business of the Company in 2017

	The Reporting Period	Last Corresponding Period
Balance of margin financing and securities lending business (RMB100 million)	480.33	447.25
Balance of stock pledge business (RMB100 million)	1,120.69	948.77
Balance of stock repo transaction business (RMB100 million)	15.75	10.28
Total (RMB100 million)	1,616.77	1,406.30

Source: Shanghai Stock Exchange, Shenzhen Stock Exchange, internal statistics of the Company

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(4) *Research business*

The Company's research business continued to rank among the top in the industry. In the "Best Analyst" selections in 2017 sponsored by New Fortune Magazine, the Company's research institute ranked third for "Most Influential Research Teams", ranked first in respect of strategic research, petrochemicals and non-banking finance, and ranked among the top five in the industry in respect of 21 industrial fields.

(5) *Futures business*

Haitong Futures ranked among the best in its principal markets. In 2017, the market share in terms of the completed amount of future trades was 9.17%, representing an increase of 0.74 percentage point, among which it had a market share of 11.2% at the Shanghai Futures Exchange and ranked first in the industry. The Company also became one of the first market makers eligible for commodity options on the Dalian Commodity Exchange and the Zhengzhou Commodity Exchange.

In 2017, the securities and futures brokerage business achieved a total profit of RMB3,791 million, accounting for 29.4% of the total profit of the Group.

2 *Investment banking business*

The Company conducted its equity financing business in active response to the call of the country, further improved its capability to provide services for the real economy. Founded on strengthening the traditional business types and industry customers, the Company took the opportunity in the new round of state-owned enterprise reform and enhanced the expansion in terms of high-tech enterprises as well as new economy and new industries with core competitiveness. Meanwhile, based on market demands and its strengths, the Company focused on certain key industries to enhance its specialized service capability, utilized the synergies of investment banking business platform, and shared client resources and service resources with all products.

In 2017, the Company completed 31 IPO projects and achieved a total revenue from underwriting and sponsoring of RMB975 million, ranking second in the market in terms of both the number of projects and total revenue. The Company also provided financial advisory services in M&A deals for 20 enterprises, ranking second in the industry.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

Changes in the scale of equity financing business and financial advisory business of the Company in 2017

		The Reporting Period	Last Corresponding Period
IPO	Underwritten Amount (in RMB100 million)	138.14	3.1
	Number of transactions	31	2
Refinancing	Underwritten Amount (in RMB100 million)	416.57	1,092.15
	Number of transactions	28	40
Financial advisor	Transaction Amount (in RMB100 million)	571.5	918.9
	Number of transactions	20	16

Source: Wind Info

Note: Refinancing includes raising supporting funds in M&A deals.

The Company demonstrated innovative strengths in its bond business. The debt financing business had achieved innovation in nine major aspects including gold price-linked bonds and green bonds. The Company thus won the first place in the comprehensive assessment of corporate bond lead underwriters by the National Development and Reform Commission, and the “Outstanding Underwriting Institution Award” (優秀承銷機構獎) and “Innovative Business Award” (創新業務獎) by the China Central Depository and Clearing Co., Ltd.

In 2017, the Company’s total underwriting amount of enterprise bonds was RMB26,985 million, ranking first in the market. The Company ranked second in terms of the number of enterprise bonds. The total underwriting amount of corporate bonds was RMB57,802 million, ranking fourth in the market. The Company ranked third in terms of the number of corporate bonds.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

Changes in the scale of corporate debt and financing in 2017

		The Reporting Period	Last Corresponding Period
Corporate bonds	Underwritten Amount (RMB100 million)	578.02	838.33
	Number of transactions	94	102
Enterprise bonds	Underwritten Amount (RMB100 million)	269.85	443.90
	Number of transactions	25	35
Others	Underwritten Amount (RMB100 million)	1,123.23	1,147.70
	Number of transactions	157	110

Source: Wind Info

Note: Others include security firm bonds, non-policy related financial bonds, short-term commercial papers, mid-term notes, private placement notes, asset backed securities and exchangeable bonds.

In 2017, the investment banking business achieved a total profit of RMB1,164 million, accounting for 9.0% of the total profit of the Group.

3 Proprietary trading business

The market trend strategy based equity investment segment of the Company achieved an investment return of RMB622 million by seizing the transaction opportunities in the market; the market trend strategy based fixed income investment segment of the Company recorded a revenue of RMB453 million by maintaining reasonable leverage. The Company actively developed non-trend based investment strategy, including ETF arbitrage, treasury futures arbitrage, currency market arbitrage, gold lease and interest rate swap and scored rosy profits.

In 2017, the proprietary trading business achieved a total profit of RMB1,985 million, accounting for 15.4% of the total profit of the Group.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

4 *Asset Management Business*

The asset management business of the Company primarily comprises HT Asset Management, HFT Investment, Fullgoal Fund and subsidiaries engaging in private equity funds. As at 31 December 2017, the total assets under the management of the Company amounted to RMB978,300 million.

(1) *HT Asset Management*

In 2017, HT Asset Management took the initiative to reduce the scale of channel business, clarified its strategic development goal, and transformed its business into active management. Through building up a strong investment and research team and constantly improving the investment management process, the Company achieved a relatively rapid growth in income and profit and enhanced operational soundness in the industry backdrop marked by reducing channel business and deleveraging. As at the end of 2017, HT Asset Management managed assets with an amount of RMB327,300 million, steadily increasing the scale of active management, with the performance of collective products ranking in top 24% compared to similar products. The table below set out the scale of business and income of HT Asset Management during the reporting period:

Changes in the business scale of HT Asset Management in 2017

	The Reporting Period		Last Corresponding Period	
	Assets under management (RMB100 million)	Net Income (RMB ten thousand)	Assets under management (RMB100 million)	Net Income (RMB ten thousand)
Collective asset management	513.47	37,789.11	622.17	25,285.33
Targeted asset management	2,707.36	25,483.36	7,776.52	30,617.53
Specialized asset management	52.34	228.57	7.62	74.23
Total	3,273.17	63,501.04	8,406.31	55,977.09

Source: *internal statistics of the Company*

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(2) *Fund management companies*

HFT Investment continually optimized its product distribution, seized opportunities in the public FOF products, bonds ETF products, monetary products and fixed-term open debt products, among others, and further expanded its existing products. It also enriched the pension product line, strengthened client account expansion, and increased the scale of management. As at the end of 2017, the assets under the management of HFT Investment amounted to RMB204,900 million, of which public funds accounted for RMB50,800 million, representing an increase of 14.4% compared to the beginning of the year.

In 2017, products of Fullgoal Fund overall recorded an outstanding performance, in particular the equity investment products. In respect of the product distribution, through enriching and improving its product line, Fullgoal Fund further established its competitive strengths in three major aspects of traditional businesses, namely active equity investment, fixed income investment and quantitative investment, further expanding its diversified customer base. As at the end of 2017, the assets under management of Fullgoal Fund amounted to RMB428,500 million.

(3) *Private investment fund business*

The private investment fund business of the Company gradually yielded profits. As at the end of 2017, the number of PE funds managed by the Company reached 34, while the total assets under management reached RMB17,600 million. During the Reporting Period, 12 enterprises invested by the funds completed IPO.

In 2017, the asset management business achieved a total profit of RMB1,381 million, accounting for 10.7% of the total profit of the Group.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

5 *Direct investment business*

In 2017, the contribution of the direct investment business to the Company further increased. In terms of investment return, the Company exited from 16 investment projects, of which, eight were complete exits and the remaining eight were partial exits. The Company seized the opportunity to proactively promote the listing application and NEEQ listing of the invested enterprises. With its strengthened post-project management, in the Reporting Period, five newly invested enterprises completed IPO. In 2017, Haitong Capital ranked among top ten of “2017 Best 10 Private Equity Investment Institutions in China” and “Top 10 Securities Houses for Direct Investment” organized by ZeroIPO Group, with high positions in both rankings.

In 2017, the asset management business achieved a total profit of RMB2,178 million, accounting for 16.9% of the total profit of the Group.

6 *Financial leasing business*

In 2017, Haitong UT continued to implement a customer strategy to develop a balanced customer base. While it proactively develop large- and medium-sized enterprise customers and take on large projects, it also strategically promote businesses with micro- and small-sized enterprise and retail customers, which possess significant growth potentials. Meanwhile, Haitong UT proactively got involved in emerging areas and transformation. Guided by the industrial and economic polices such as the supply-side structural reform promoted by the PRC government, Internet Plus and green economy, the Company established its strategic direction and business plan, focusing on fields such as transport and logistics, IDC big data, high-end intelligent manufacturing, smart city, TMT, public-private partnership with the government and inclusive healthcare.

The credit rating in China of Haitong UT was upgraded to AAA in 2017. Having reasonably controlled liquidity risks, it lowered its cost of funding by proactively expanding financing channels, adjusting financing structures and financing period. Through optimizing the credit approval system, strengthening the asset quality monitoring, improving the due diligence quality and extending the coverage of client visits after leasing, the non-performing ratio was controlled at a low level.

In 2017, the financial leasing business achieved a total profit of RMB1,562 million, accounting for 12.1% of the total profit of the Group.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

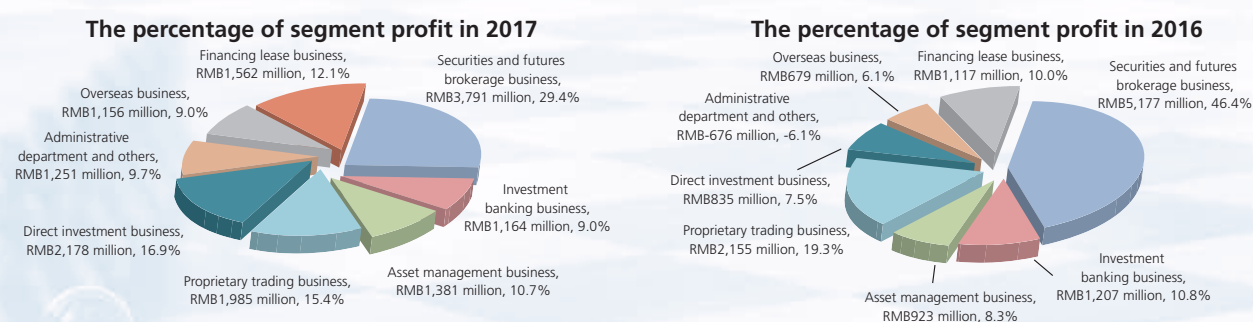
7 Overseas business

After nearly ten years of nurturing and development, the Company had initially established its business network in 14 countries and regions globally. Leveraging on the rapid development of Haitong International Securities in Hong Kong, the international strategic preparation was gradually turning into strategic strengths for the Company.

The investment banking segment of Haitong International Securities maintained its leading position, with the amount of equity financing ranking first among the PRC investment banks in Hong Kong, and the number of offshore bonds underwritten by it ranking first among all the investment banks in Hong Kong. Its trading business achieved successful transformation, and a new programmed trading service system was officially launched, which can provide a 24-hour comprehensive online transactions services to its global institutional clients with proprietary intellectual property rights. Its size of the assets under management and the revenue increased continuously. The amount of assets under management reached HKD66.0 billion.

The Company further promoted the integration of international financial resources. It completed the largest private enterprise IPO in Indian in the past 10 years after its integration of Indian business. The subsequent integration of the US and UK businesses has begun, and the Company's overseas strategic layout will be further optimized. Haitong Bank straightened out the corporate governance structure after nearly two years' cooperation, integration and consolidation, and gradually shifted to normal development track; it gradually restored its development capability through business restructuring.

In 2017, the overseas business achieved a total profit of RMB1,156 million, accounting for 9.0% of the total profit of the Group.



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

SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

(1) Total revenue, gains and other income

In 2017, the total revenue, gains and other income realized by the Group amounted to RMB41,325 million, representing a year-on-year decrease of RMB1,168 million or 2.75%, mainly because the trading volume and the revenue from the brokerage business recorded a year-on-year decrease due to the volatility in the securities market, of which:

- Commission and fee income amounted to RMB11,225 million, accounting for 27.16% of the total revenue, gains and other income and representing a decrease of 11.69% as compared to the corresponding period of last year, mainly due to the substantial fluctuation in the market, and the decrease in trading volume and fee income of the brokerage business;
- Interest income amounted to RMB15,124 million, accounting for 36.60% of the total revenue, gains and other income and representing a decrease of 6.53% as compared to the corresponding period of last year, mainly due to the influence of the market, the decrease of customers' funds and the decrease in advances to customers on margin financing;
- Net investment gains amounted to RMB9,328 million, accounting for 22.57% of the total revenue, gains and other income and representing an increase of 52.71% as compared to the corresponding period of last year, mainly due to the increase in income from financial assets disposal;
- Other income and gains amounted to RMB5,647 million, accounting for 13.67% of the total revenue, gains and other income and representing a decrease of 24.62% as compared to the corresponding period of last year, mainly due to the decrease in the sales revenue of the Company's subsidiaries.

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

Item	January – December 2017		January – December 2016		Unit: RMB'000 Increase/Decrease	
	Amount	Composition	Amount	Composition	Amount	Composition
Commission and fee income	11,225,083	27.16%	12,711,293	29.91%	-1,486,210	-11.69%
Interest income	15,124,317	36.60%	16,180,548	38.08%	-1,056,231	-6.53%
Net investment gains	9,327,622	22.57%	6,107,923	14.37%	3,219,699	52.71%
Other income and gains	5,647,480	13.67%	7,492,492	17.64%	-1,845,012	-24.62%
Total revenue, gains and other income	41,324,502	100.00%	42,492,256	100.00%	-1,167,754	-2.75%

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(2) *Total expenses*

In 2017, total expense of the Group amounted to RMB29,144 million, representing a decrease of 7.57% as compared to the corresponding period of last year, which was mainly due to the decrease in interest expense, brokerage transaction fees and other service expenses, and other expenses, of which:

- The interest expenses amounted to RMB11,458 million, representing a decrease of 7.15% as compared to the corresponding period of last year, which was mainly because the Group timely reduced the size of financial assets sold under repurchase agreements and the accounts payable to brokerage clients decreased in light of the changes of conditions due to the fluctuation in the market;
- The brokerage transaction fees and other service expenses amounted to RMB981 million, representing a decrease of 5.36% as compared to the corresponding period of last year, which was mainly due to the corresponding decrease in fees and other expenses resulting from the decrease in the trading volume in the securities market;
- Other expenses mainly comprised operating expenditure, other operating expenses, as well as impairment losses of assets, etc. Other expenses for the Reporting Period amounted to RMB9,131 million, representing a decrease of 16.20% as compared to the corresponding period of last year, which was mainly due to the decrease in cost of sales of subsidiaries.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

The components of the total expenses of the Group in 2017 are shown as below:

Total expenses	2017	2016	<i>Unit: RMB'000</i>	
			Increase/Decrease Amount	Percentage
Staff costs	6,400,066	6,168,040	232,026	3.76%
Interest expenses	11,458,392	12,340,937	-882,545	-7.15%
Brokerage transaction fees and other services expenses	980,583	1,036,089	-55,506	-5.36%
Commission to account executives	688,301	710,195	-21,894	-3.08%
Depreciation and amortization	485,337	379,089	106,248	28.03%
Other expenses	9,130,913	10,896,614	-1,765,701	-16.20%
Total	29,143,592	31,530,964	-2,387,372	-7.57%

2. Public welfare contributions

During 2017, the Group contributed RMB9,877 thousand in total in public welfare areas including environmental protection, disaster relief donations, education subsidies and charity donations.

Breakdown of public welfare contributions for 2017

Item	<i>Unit: RMB'000</i> Amount during the period
Charity donations	9,877
Total	9,877

SECTION IV REPORT OF THE BOARD OF DIRECTORS

3. Cash flow

In 2017, the Group's net cash and cash equivalents increased by RMB1,654 million, in which:

- (1) the net cash used in operating activities was RMB37,213 million, which was mainly due to the cash outflow of RMB53,582 million caused by the change in the Group's operating capital. The decrease in the working capital of the Group was mainly attributable to:
 - an operating cash outflow of RMB12,191 million due to the increase in financial assets held under resale agreements, and an operating cash outflow of RMB10,686 million; due to the decrease in financial assets sold under repurchase agreements;
 - an operating cash outflow of RMB19,821 million due to the net decrease in financial instruments at fair value through profit or loss caused;
 - an operating cash outflow of RMB7,374 million due to business expansion of Haitong UT.
- (2) Net cash from investing activities was RMB34,894 million, which was mainly due to the decrease in available-for-sale investments and other loans and receivables.
- (3) Net cash from financing activities was RMB3,973 million, which was mainly due to the net cash inflow of RMB6,839 million from the Group's borrowings and issuance of bonds and the payment of dividends of RMB2,894 million.

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

As at the end of 2017, the total assets and the liabilities of the Group amounted to RMB534,706 million and RMB405,012 million, representing a decrease of 4.66% and 7.72% compared with those at the beginning of the year, respectively. Among the current assets, bank balances and cash and clearing settlement funds of the Group represented 20.07% of its total assets; financial assets at fair value through profit or loss, derivative financial assets, available-for-sale investments, other loans and receivables represented 24.72% of its total assets; advances to customers on margin financing represented 11.51% of its total assets; financial assets held under resale agreements represented 14.09% of its total assets; while property and equipment represented 0.54% of its total assets only. The Group maintained reasonable asset structure and adequate liquidity.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

	2017		2016		Unit: RMB'000	
	31 December	Composition	31 December	Composition	Increase/Decrease	
					Amount	Percentage
Non-current assets	111,531,177		119,564,897		-8,033,720	-6.72%
Of which: Finance lease receivables	22,212,628	4.15%	22,035,884	3.93%	176,744	0.80%
Available-for-sale investments	31,725,358	5.93%	45,269,933	8.07%	-13,544,575	-29.92%
Other loans and receivables	8,098,697	1.51%	5,684,365	1.01%	2,414,332	42.47%
Investments accounted for using equity method	10,062,370	1.88%	8,749,592	1.56%	1,312,778	15.00%
Financial assets held under resale agreements	21,204,776	3.97%	20,922,862	3.73%	281,914	1.35%
Property and equipment	2,862,370	0.54%	1,615,839	0.29%	1,246,531	77.14%
Loans and advances	4,086,897	0.76%	5,141,634	0.92%	-1,054,737	-20.51%
Goodwill	3,863,520	0.72%	4,118,734	0.73%	-255,214	-6.20%
Current assets	423,175,156		441,300,949		-18,125,793	-4.11%
Of which: Bank balances and cash	99,358,329	18.58%	119,217,791	21.26%	-19,859,462	-16.66%
Clearing settlement funds	7,982,729	1.49%	12,191,899	2.17%	-4,209,170	-34.52%
Financial assets at fair value through profit or loss	98,904,357	18.50%	92,347,494	16.47%	6,556,863	7.10%
Advances to customers on margin financing	61,560,953	11.51%	63,212,920	11.27%	-1,651,967	-2.61%
Accounts receivable	7,442,000	1.39%	6,929,537	1.24%	512,463	7.40%
Financial assets held under resale agreements	75,345,093	14.09%	63,600,363	11.34%	11,744,730	18.47%
Finance lease receivables	21,323,548	3.99%	14,519,336	2.59%	6,804,212	46.86%
Available-for-sale investments	9,503,398	1.78%	12,758,905	2.27%	-3,255,507	-25.52%
Deposits with exchanges	7,180,974	1.34%	7,359,343	1.31%	-178,369	-2.42%
Derivative financial assets	2,610,612	0.49%	3,935,071	0.70%	-1,324,459	-33.66%
Other loans and receivables	21,147,878	3.96%	32,787,054	5.85%	-11,639,176	-35.50%
Total assets	534,706,333		560,865,846		-26,159,513	-4.66%

SECTION IV REPORT OF THE BOARD OF DIRECTORS

	2017		2016		Increase/Decrease	
	31 December	Composition	31 December	Composition	Amount	Percentage
Current liabilities	259,410,417		295,705,387		-36,294,970	-12.27%
Of which: Accounts payable to						
brokerage clients	83,774,388	20.68%	104,059,287	23.71%	-20,284,899	-19.49%
Financial assets sold under repurchase agreements	32,645,727	8.06%	43,638,525	9.94%	-10,992,798	-25.19%
Borrowings	45,511,447	11.24%	46,659,113	10.63%	-1,147,666	-2.46%
Placements from banks and other financial institutions	5,450,000	1.35%	3,210,521	0.73%	2,239,479	69.75%
Financial liabilities at fair value through profit or loss	20,031,099	4.95%	38,063,861	8.67%	-18,032,762	-47.38%
Derivative financial liabilities	3,495,454	0.86%	2,594,009	0.59%	901,445	34.75%
Other payables and accruals	17,457,987	4.31%	19,866,992	4.53%	-2,409,005	-12.13%
Short-term financing bills payables	29,426,762	7.27%	19,864,117	4.53%	9,562,645	48.14%
Customer accounts	3,750,621	0.93%	4,757,573	1.08%	-1,006,952	-21.17%
Tax liabilities	2,198,613	0.54%	1,748,846	0.40%	449,767	25.72%
Bonds payable	14,739,105	3.64%	11,103,335	2.53%	3,635,770	32.74%
Net current assets	163,764,739		145,595,562		18,169,177	12.48%
Non-current liabilities	145,601,612		143,202,058		2,399,554	1.68%
Of which: Bonds payable	115,419,164	28.50%	117,191,857	26.70%	-1,772,693	-1.51%
Long-term borrowings	15,810,543	3.90%	14,489,442	3.30%	1,321,101	9.12%
Financial assets sold under repurchase agreements	400,000	0.10%	93,202	0.02%	306,798	329.18%
Financial liabilities at fair value through profit or loss	712,400	0.18%	575,770	0.13%	136,630	23.73%
Placements from banks and other financial institutions	6,361,639	1.57%	5,598,941	1.28%	762,698	13.62%
Total liabilities	405,012,029		438,907,445		-33,895,416	-7.72%
Total equity	129,694,304		121,958,401		7,735,903	6.34%

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

SECTION IV REPORT OF THE BOARD OF DIRECTORS

Non-current assets

As at the end of 2017, the Group's non-current assets amounted to RMB111,531 million, representing a decrease of 6.72% as compared with the beginning of the year, mainly due to the significant fluctuation in the securities market in 2017. The Group timely decreased fixed income products and other available-for-sale investments.

Current assets and liabilities

As at the end of 2017, the net current assets of the Group amounted to RMB163,765 million, representing an increase of RMB18,169 million, or 12.48%, as compared with RMB145,596 million at the beginning of the year, mainly because the Company adjusted its asset and liability structure in a timely manner amid the backdrop of financial de-leveraging. Its current assets and liabilities decreased. However, the net current assets maintained a certain degree of growth.

The decrease in the current assets of the Group was mainly due to the continuous substantial fluctuation in the market in 2017 and the decrease in the trading volume, which led to the capital outflow from the stock market and securities companies and the decrease in bank balances and cash and clearing settlement funds as compared with the previous year.

The decrease in the current liabilities of the Group was mainly due to the fluctuation in the securities market in 2017 and the decrease in accounts payable to brokerage clients; the moderate decrease in the scale of financial assets sold under repurchase agreements in light of the market conditions; and the decrease in financial liabilities at fair value through profit or loss caused by influence of the market.

Non-current liabilities

The increase in the non-current liabilities of the Group was mainly due to the increase in the Group's placements from banks and other financial institutions and the long-term borrowings from Haitong UT Capital.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

Borrowings and bond financing

As at 31 December 2017, the total borrowings and bond financing of the Group amounted to RMB220,907 million. Set out below is the breakdown of borrowings and bond financing of the Group at the end of 2017:

	31 December 2017	<i>Unit: RMB'000</i> 31 December 2016
Bonds payable	130,158,269	128,295,192
Borrowings	61,321,990	61,148,555
Short-term financing bills payables	29,426,762	19,864,117
Total	220,907,021	209,307,864

For the information of interest rate and maturities of borrowings and bonds financing, please refer to Note 44, 45 and 55 to the Consolidated Financial Statements of this Report.

As at 31 December 2017, the Group's borrowings, short-term financing bills payables and bonds payable within one year amounted to RMB89,677 million, and the Group's net current assets, net of liabilities such as bonds payable, borrowings and short-term financing bills payables within one year, amounted to RMB163,765 million. Therefore, the liquidity risk exposure of the Group was immaterial.

Save as the liabilities disclosed in this Report, as at 31 December 2017, the Group had no outstanding mortgage, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, lease purchase and finance lease commitment, guarantee or other material contingent liabilities.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

5. Research and development expenditure

To promote innovation in securities business, adapt to new transaction types and demand of customers, and enhance the operating efficiency and management effectiveness, the Company invested RMB86,978 thousand in the software and hardware of the information management system by way of self-development and commissioned development.

(II) Analysis of operations in the industry

Please refer to relevant contents of Section III and Section IV in this Report for details.

(III) Analysis on investments

1. Overall analysis on external equity investments

As at the end of the Reporting Period, the Group's long-term equity investments amounted to RMB10,062 million, representing an increase of RMB1,312 million, or 14.99%, as compared with RMB8,750 million at the end of the previous year, mainly due to the increase of investments in the subsidiaries of Haitong International Holdings. For long-term equity investment, please refer to Notes 23 to the Consolidated Financial Statements of this Report.

(1) Material equity investments

Unit: RMB'000

Name	Shareholding in the company	Carrying value as at the end of the period	Profit and loss during the Reporting Period	Changes in equity of owners during the Reporting Period
Fullgoal Fund Management Co., Ltd.	27.775%	790,027	201,664	-1,721

Notes: 1. Profit and loss during the Reporting Period refers to the effects on consolidated net profit of the Company during the Reporting Period caused by this investment.

2. Changes in equity of owners during the Reporting Period do not include the effects of profit or loss during the Reporting Period.

(2) Material non-equity investments

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

(3) Financial assets at fair value

The financial assets at fair value of the Group mainly consist of financial assets at fair value through profit or loss of RMB99,857 million, available-for-sale investments of RMB41,229 million, and derivative financial instruments of RMB-885 million.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(IV) Analysis on principal holding companies or joint-stock companies

1. HFT Investment, with a registered capital of RMB300 million, in which Haitong Securities owned 51% equity interests. As at 31 December 2017, HFT Investment had total assets of RMB1,693 million, net assets of RMB1,158 million. In 2017, it recorded an operating income of RMB803 million, with a net profit of RMB255 million.
2. Fullgoal Fund, with a registered capital of RMB300 million, in which Haitong Securities owned 27.775% equity interests. As at 31 December 2017, Fullgoal Fund had total assets of RMB4,228 million, net assets of RMB2,844 million. In 2017, it recorded an operating income of RMB2,368 million, with a net profit of RMB726 million.
3. Haitong-Fortis PE, with a registered capital of RMB100 million, in which Haitong Securities owned 67% equity interests. As at 31 December 2017, Haitong-Fortis PE had total assets of RMB256 million, net assets of RMB199 million. In 2017, it recorded an operating income of RMB167 million, with a net profit of RMB72 million.
4. Haitong Futures, with a registered capital of RMB1,300 million, in which Haitong Securities owned 66.667% equity interests. As at 31 December 2017, Haitong Futures had total assets of RMB20,748 million, net assets of RMB2,723 million. In 2017, it recorded an operating income of RMB5,171 million, with a net profit of RMB335 million.
5. Haitong International Holdings, with a registered capital of HKD8,850 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2017, Haitong International Holdings had total assets of HKD252,005 million, net assets attributable to parent company of HKD12,566 million. In 2017, it recorded an income of HKD14,599 million, with a net profit of HKD2,110 million.
6. Haitong Capital, with a registered capital of RMB10,650 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2017, Haitong Capital had total assets of RMB18,454 million, net assets attributable to parent company of RMB14,387 million. In 2017, it recorded an operating income of RMB2,664 million, with a net profit of RMB1,839 million.
7. Haitong Innovation Securities, with a registered capital of RMB3,500 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2017, Haitong Innovation Securities had total assets of RMB5,123 million, net assets of RMB4,918 million. In 2017, it recorded an operating income of RMB505 million, with a net profit of RMB352 million.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

8. HT Asset Management, with a registered capital of RMB2,200 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2017, HT Asset Management had total assets of RMB5,093 million, net assets of RMB3,632 million. In 2017, it recorded an operating income of RMB749 million, with a net profit of RMB378 million.
9. Shanghai Weitai Properties, with a registered capital of RMB10 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2017, Shanghai Weitai Properties had total assets of RMB128 million, net assets of RMB10 million. In 2017, it recorded an operating income of RMB17 million, with a net profit of RMB206.5 thousand.

(V) Structured entities controlled by the Company

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

In July 2017, Haitong UT incorporated five special purpose entities registered in Ireland through Haitong UT Leasing Irish Holding Corporation Limited, namely Haitong Unitrust No. 2 Limited, Haitong Unitrust No. 3 Limited, Haitong Unitrust No. 4 Limited, Haitong Unitrust No. 5 Limited and Haitong Unitrust No. 6 Limited, for the purpose of commence aircraft leasing related business, mainly including aircraft purchase, sale, leasing and subleasing services. The five abovementioned special purpose entities are all wholly-owned by Haitong UT Leasing Irish Holding Corporation Limited and established on 3 July 2017, with registered capital of USD1.00 and registered address in Ireland.

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

The Company has determined to include 22 structured entities (which are managed by the Company's subsidiaries) in its consolidated financial statements, considering the variable returns to which the companies in the consolidated financial statement are entitled and the risks to which they are exposed from such structured entities.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(VI) The impact of the implementation of New Standards of Financial Instruments on the financial situation and operation results of the Group

In 2017, the Ministry of Finance of the PRC (the “the Ministry of Finance”) has successively revised some accounting standards for enterprises, which mainly include: Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments; Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets; Accounting Standards for Business Enterprises No. 24 – Hedge Accounting; Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (the “New Standards of Financial Instruments”). Pursuant to the regulations of the Ministry of Finance, the Group has implemented the above New Standards from January 1, 2018.

The main impacts of implementing the above New Standards of Financial Instruments on accounting and related presentations include: classifying and measuring the Group’s financial assets according to the new standards, including making necessary adjustments to valuation methods, performing the impairment test on related financial assets by the Expected Loss Approach and re-measuring the carrying value, adjusting other comprehensive income and retained earnings at the beginning of the period accordingly. Based on the positions of the Group’s financial assets held at the end of the year and the calculation of the above mentioned changes, the changes in the classification, measurement, and impairment methods of financial assets are expected to widely affect the financial statements of the Group but have no significant impact on the Group’s total assets and net assets.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(VII) Others

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

During the Reporting Period, the Company did not establish or open any new securities business departments, and as at the end of the Reporting Period, the Company had 27 securities branches and 290 securities business departments (please refer to Appendix II of this Report for details).

2. *Explanation on account standardization*

The Company has completed the work of account clean-up in April 2008 and was awarded with the title of “Advanced Group for Account Clean-up” by the CSRC. During the Reporting Period, the Company has further strengthened the management on newly-opened accounts, and effectively avoided the setting up of non-standard accounts by standardizing the processes and enhancing supervision, review and etc. The Company also made further clean-up to the unqualified accounts, small-amount-dormant accounts and dormant accounts without risk management which have been reserved separately. During the Reporting Period, the Company has totally cleaned up 94 unqualified capital accounts (including 54 unqualified cash-only accounts), 1,885 small-amount-dormant capital accounts (including 215 cash-only small-amount-dormant accounts), and 210 dormant accounts without risk management. As at 31 December 2017, the Company still had 26,018 unqualified capital accounts (including 22,977 unqualified cash-only capital accounts), 1,542,293 small-amount-dormant capital accounts (including 445,438 cash only small-amount-dormant capital accounts) and 97,777 dormant accounts without risk management.

3. *Development of innovative business*

Adhering to promoting transformation by innovation, the Company achieved various business innovation:

- (1) The Company actively implemented and promoted the innovations advocated by the regulatory authorities. The Company is among the first batch of securities companies eligible as a lead underwriter under the “Bond Connect” scheme. HFT Investment, a subsidiary of the Company, is among the first group of fund management companies receiving the Fund of Funds (FOF) approval and the product offered by it is the only stock-oriented FOF among the approved FOFs. It also won multiple awards including the “Best Product Innovation Award of China’s Fund Industry in the Past 20 Years – Best Alternative Product Portfolio Innovation Award” awarded by the newspaper “China Fund”. Haitong Futures and Haitong Resource are among the first group of companies eligible for operating the business of soybean meal options on the Dalian Commodity Exchange and the sugar options on the Zhengzhou Commodity Exchange.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

- (2) The Company continuously accelerated independent innovation to provide innovative business solutions to customers. With outstanding innovation ability in bond financing business, the Company successfully completed design and underwriting of the first gold price-linked bond and the first coal price-linked bond, and the underwriting of the first PPP-backed ABS product of the Ministry of Finance, the first asset securitization for off-balance-sheet of green receivables and the first innovation and entrepreneurship financial bond. The Company won the first place in overall evaluation on lead underwriters of corporate bonds organized by NDRC and the “Excellent Underwriting Institution Prize” and the “Innovation Business Prize” issued by China Central Depository and Clearing Co. Ltd.
- (3) The Company’s innovative business maintained at the forefront of the industry. The scale of corporate customer financing business ranked top in the industry; the issuance number and scale of the over-the-counter market products are leading in the industry. The percentage of revenues from the innovative business increased constantly on a year-on-year base.

III. DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

(I) Industry layout and trend

Given the long term trend of transformation from an indirect financing oriented system to a more direct financing oriented system and the increasing demand for cross-border investment and financing, as Chinese economy is shifting from fast growth to high-quality development, the enterprise assets and individual wealth accumulated by enterprises and individuals during the rapid economic growth will provide huge potentiality for the development of the capital market and the securities firms as well, and the Company’s business segments including the general investment banking, asset management, private equity investments, alternative investments and cross-border business will benefit for the promising opportunities for development. On the other hand, driven by the continuous regulatory scrutiny, rapid development of fin-tech and the lowering of market entry barriers for the industry, the fundamentals for profit generation in the securities industry will undergo profound changes, and the room for development of the securities industry will be suppressed in the short term coupled with more fierce market competition. The development of the securities industry is expected to witness the following trends: further opening up and liberalization of the capital market enabling two-way and free cross-border capital flow will further enhance the international and globalized development of the industry; industry integration will accelerate, resulting an increased market concentration and more intense competition among industry leaders and differentiation of operations in terms of businesses and services, capital drives, integration, products and fintech; the profit generating mode heavily relied upon operating licences and regulatory will phase out, and capital, customer base and professional services capability will be the essence to enhance; asset allocation in the industry will remain stable and operating profits will mainly flow to large securities firms; the percentage of revenue from traditional businesses will decline and the layout of strategic businesses will speed up.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(II) Development strategy of the Company

In the context of transformation, the Company's overall development strategy is as follows: adhering to customer focus, taking intermediary businesses such as brokerage, investment banking and asset management as core businesses, developing capital intermediary business and investment/leasing business as the wings, drawing upon innovation and internationalization as the driving force, reinforcing four "pillars" including research, talent, IT and risk management and compliance. Meanwhile, the Company will enhance its capability building in five aspects including capital and investment management, assets and wealth management, investment banking underwriting and sales pricing, institutional brokerage and sales transaction and online securities services in order to build the Company into a domestic leading and globally influential Chinese benchmark investment bank centered on online securities, wealth management securities, SME securities and institutional securities.

(III) Business plan of the Company

In 2018, the Company will, under the guidance of overall strategy, adhere to prudent operations, focus on main development line, enhance business collaboration, deeply explore comprehensive business demands of customers in such business lines as brokerage, investment banking, financing and direct investment, and improve the individual customers' magnitude of value; make up weaknesses and look for a breakthrough in asset management and wealth management; steadily promote subsidiaries' development and further improve subsidiaries' profit contribution; thoroughly promote integration of international resources; and constantly improve the Company's IT management, human resources management, compliance and risk management, financial and asset-liability management, so as to enhance the Company's comprehensive competitiveness in an all-round way while promoting the Company's transformation from rapid growth to high-quality development.

The Company will focus on the following works: tap deeply into the potential in brokerage business; continue to expand the scale of investment banking business; constantly improve profitability in leasing business, ramp up the development foundation of PE business, and increase support to and management for subsidiaries; strive for international development; comprehensively enhance basic management; improve asset-liability management ability; strengthen our efforts to develop research-driven business; and step up building our "soft culture" and "hard system".

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(IV) Potential Risks and Prevention Measures

1. *Risks exposed to the Company in operating activities and measures taken by the Company*

The risks faced by the Company in business operation activities mainly include: credit risk, market risk, operational risk, liquidity risk and reputation risk, which are mainly represented in the following aspects:

(1) *Credit risk*

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

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

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

SECTION IV REPORT OF THE BOARD OF DIRECTORS

In addition to the aforesaid risk factors, several subsidiaries of the Group are also exposed to credit risk when carrying out financing business, investment business, leasing business, over-the-counter derivatives business and other businesses. Based on the Company's unified risk preference, relevant subsidiaries have worked out systems, measures and procedures for credit risk control based on their business features, set risk limits according to credit risk exposure, and implemented them after the examination and approval of the Company. According to the Group's overall planning for comprehensive risk management, the Company gradually enhanced and improved credit risk management of the Group from such aspects as system building, limit system, monitoring mechanism, information system and risk report.

(2) *Market risk*

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

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

In 2017, the stock market in China jolted upwards on the whole, various sectors registered differentiated momentums and value stocks with earnings support performed relatively well. For example, SSE Composite Index opened at 3,105.31 points at the beginning of 2017 and closed at 3,307.17 points at the end of the year, with a cumulative increase of 6.56% in the year; in the same period, SSE 50 Index, CSI 300 Index and SZSE SME Price Index increased 25.08%, 21.78% and 16.73%, respectively, and SZSE ChiNext Price Index tumbled 10.67%. In addition, the level of volatility of the stock market fluctuated in 2017. SSE iVIX, for example, dropped progressively from 17.80 in early January, began to rebound after touching the trough at 7.95 in May, and came to 14.27 as at 29 December, representing a decrease of 17.13% from the beginning of the year.

The Company constantly tracks any variation in investment scale and value-at-risk (VaR) of securities positions to monitor the impact of relevant risks. By implementing diversified investment strategies, the Company properly controlled and timely adjusted total investment amounts of various securities and employed various arbitrage and hedging instruments, which has effectively controlled market risk.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

- B. Interest rate risk. Interest rate risk refers to the risk resulting from market interest rate fluctuations. The Company's assets which are exposed to interest rate risk mainly include monetary deposits, bond investment and debt issuance, etc. In 2017, the ChinaBond composite full-price index declined, with a downward trend during volatility until the end of May and then rebounding to a short-term peak after hitting the bottom. After that, the index continued jolting downward. The ChinaBond composite full-price index closed at 113.37 at the end of 2017, representing a decrease of 3.39% compared with the end of last year. The yield to maturity of ChinaBond five-year national bond and ChinaBond ten-year national bond increased about 99 basis points and about 87 basis points compared with the end of last year to 3.84% and 3.88%, respectively. The Company managed interest rate risk by employing methods such as size control and investment portfolio re-balancing to achieve a reasonable allocation of assets, matching the maturities of liabilities and assets and by evaluating interest rate risk through regular measurement of indicators such as duration, convexity and DV01 of investment portfolios.
- C. Exchange rate risk. Exchange rate risk refers to the risk resulting from changes in foreign exchange rates. With the international expansion of the Company, the exchange rate risk is becoming evident. Apart from the Company's overseas equity investments, the subsidiaries also issued foreign currency bonds, resulting in an increase in the debts in foreign currencies, which increased the size of foreign currencies of the Group as a whole and caused difficulties in management. The Company continued to monitor and study the latest developments in the foreign exchange market, constantly optimized system construction and internal management, and took various measures to hedge and release exchange rate risks so as to support the Company's overseas business development. The Company also focused on the natural match between foreign currency assets and liabilities from the Group level to reduce the foreign exchange risk exposure. At the same time the Company also adopted hedges of net investment in overseas operations, etc. to smooth the influence of foreign exposure on the Group's operating results. As at the end of the Reporting Period, the Group's exchange rate risk had no material impact on the financial statements.

Save as the abovementioned risks, overseas investment businesses conducted by the Group are also exposed to relevant market risk. Fluctuations of each element of market risk around the world may affect the overall profit or loss of the Group. The Company includes overseas investment businesses into the overall market risk management system. In respect of investment businesses conducted by the overseas subsidiaries of the Group, the respective subsidiaries formulated and implemented the corresponding risk limits and risk management policies upon examination and approval by the parent company and subsidiaries need to report to the parent company on the implementation of risk limits on a regular basis.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(3) *Operational risk*

Operational risk refers to the risk associated with losses arising from the defects of the internal processes, misoperation or misconduct of employees, information system defects and external events. Information technology risk refers to the risk of losing the availability and integrity of information systems due to system interruption or slow operation, and the risk of disclosure of confidential information in the information systems due to external attacks to the information system. Information technology risk is an important component of the present operational risks. Information technology is critical to the business development and management of securities trading, settlement and service, etc. Unreliability of system, network technology defects and data error will all bring losses to the Company. In addition, the Company is also faced with the compliance risk of being pursued for legal liability, being imposed regulatory measures, being given disciplinary sanctions, or suffering property or reputation loss due to its or its employees' violation of laws, regulations and norms in business operations or performance of duty.

The Company adheres to improving the internal control management mechanism, completing the operational processes, strengthening the inspection and audit, intensifying the implementation of the accountability system, reducing the possibility of operational risks and actively and properly address the adverse effects brought by any such event. The Company has formulated a relatively sound internal control system to standardize its operational risk management in accordance with such regulatory provisions as the Guidelines for Internal Control of Securities Company issued by the CSRC as well as the internal management needs of the Company. The Company has formulated an internal control matrix covering the business lines of each department according to the Basic Standards for Enterprise Internal Control, conducted self-inspections on the implementation of the internal control matrix annually, and had its audit department evaluate the implementation of the internal control matrix. The Company kept improving its operational risk management level by establishing a group-wide information communication mechanism for major operational risk events and strengthening internal control management. However, there is no guarantee that the Company can completely avoid the operational risk events and losses which may result from operation errors and human acts of omission. Besides, staff's illegal and criminal acts will cause financial losses to the Company and damage the Company's reputation. The Company persists in the implementation of refined management, constantly improves the business process and gives more training to employees in terms of professional integrity and professional ethics, and strives to manage and reduce operational risk events. The Company continued to step up efforts in developing information technology management mechanism and system, improved IT-related emergency response plans, and prevented information technology risk by taking multiple measures including regular or sporadic monitoring and special inspections to monitor and control information technology management in respect of system operation, applied R&D, information security, and technology management. The Company continuously strengthened compliance management for its subordinate units, various business lines and employees, and enhanced implementation of various systems, mechanisms and processes to effectively prevent compliance risks, facilitate the effective operations of the Company's compliance management, and promote the sustainable, healthy and lawful development of the Company.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(4) *Liquidity risk*

Liquidity risk refers to the risk that a company is unable to gain sufficient funds with reasonable cost in a timely manner to pay its due debts, satisfy other payment obligations and meet the requirements for carrying out normal business operations. As the proprietary trading business and financing business of the Company are large in size, it is susceptible to macro-economic policy, changes in market, operation conditions and client credit profile during its operations, and unmatched asset-liability structure might result in liquidity risk.

In respect of daily liquidity risk management, the Company has always adhered to the mindset of “proper and even conservative risk control” and successfully kept liquidity risk exposure within a reasonable range through reasonable monitoring mechanism and control measures by adhering to the pre-determined liquidity risk preferences and limits of risk indicators. In order to improve the level of refined management on liquidity risk, the Company reserved sufficient quality liquidity assets in strict compliance with relevant internal regulations and measures, which ensured smooth business development and timely repayment of matured liabilities of the Company. Additionally, the Company continued to improve the management and control system for daily liquidity and risk indicators, and established a liquidity and risk analysis framework including yearly risk outlook analysis, monthly indicator assessment and forecast and daily indicator position follow-up, which enriched tools of liquidity risk management over different periods of time, and deeply strengthened the Company’s scientific control over and forecast efficiency of liquidity risk.

In respect of mid-term and long-term liquidity risk management, the Company continued to optimize its capital allocation structure, intensified analysis on the development trend of assets and liabilities, and strengthened management and control over liquidity risks from the source. On the one hand, the Company actively carried out asset and liability management works on the basis of unified and centralized management of finance liabilities, adjusted its liability term structure by timely analyzing business development trend and potential need for mid- and long-term funds; on the other hand, the Company make timely improvement of debt planning to ensure more reasonable liability structure and distribution of maturities. During the Reporting Period, the Company kept good relationships with major commercial banks, ensured normalization of operations, maintained good reputation, and kept financing channels open. The unified and centralized management of liabilities at the group level was in progress and group management and control were basically realized in large-amount financing.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, with the advancement of the overall policy of financial de-leverage by regulatory authorities, both the equity and bond markets have remained volatile. In addition, in 2017 the Company was involved in the repayment or renewal of several kinds of debts including corporate bonds, subordinated bonds and transfer of earning right. Changes in external market and adjustments in the assets and liabilities of the Company are intertwined with each other, constituting the major sources of liquidity risk in the Reporting Period. Facing changes in the market and transformation of internal fund demand, the Company actively formulated plans and further strengthened control over liquidity risk through various ways by carrying out prior risk identification, existing risk mitigation, follow-up improvements and other measures. All of the Company's core liquidity risk indicators satisfied the forewarning requirements set by regulatory authorities, and liquidity exposure for each term structure has been kept within a reasonable range, which can sustain stable operations under pressure and ensure the overall liquidity risk is under control.

(5) *Reputation risk*

Reputation risk refers to the risk resulting from negative comments to the Company by a party of stakeholder with respect to the Company's operations, management or other activities, or due to external events. Unlike other financial risks, reputation risk is difficult to be measured directly, separated from other risks and managed independently. A sound reputation is an important resource gained by the Company in its development over the years, and is a guarantee for maintaining a good relationship with investors and clients. Good reputation risk management plays a vital role in the improvement of the Company's competitive edges and profitability as well as achievement of its long-term strategic objectives.

Reputation risks faced by the Company are mainly from: problems identified in the Company's operations which may affect the Company's image and client confidence, compliance risks resulting in regulatory measures or penalties by the regulatory authorities, reputation damage resulting from untruthful or negative reports by the media which may directly or indirectly affect the Company's reputation and business development, employees' accepting of media interviews without following the specified approval procedure and relevant information disclosure regulations, and other emergent events with material adverse impact on the Company.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

Therefore, the Company has taken necessary monitoring and preventive measures to realize effective management of reputation risk. The Company has established a reputation risk forewarning system to monitor public opinions and ensure that negative emergent events are responsively reported to the management of the Company. For those emergent events with a negative impact on reputation, the Company's General Manager's Office shall report to competent superior authorities and regulatory bodies in charge in accordance with the Measures for Handling Emergent Events of Haitong Securities Co., Ltd. and Provisional Measures for Reporting Major Events of Haitong Securities Co., Ltd., and work with relevant departments to formulate communication strategy and unify publicity statement, after which the spokesman of the Company will make a public announcement or respond to the event. After the effect of the event ceases, the department of public relations will actively take measures to restore reputation, analyze and report on the process of handling the said emergent event, and closely observe latest developments and new issues so as to prevent recurrence of negative opinions. Meanwhile, the Company will enhance communication and contact with the media, and restore the Company's image by publicizing the Company's positive image and through other measures. Before accepting interviews by the media, employees of the Company shall, in accordance with Rules of Haitong Securities Co., Ltd. on Publicity Work, initiate media interview taking procedure through the office's system, and shall only publish comments after obtaining approval from the Company upon examination and the interview transcripts shall be submitted to the General Manager's Office for record.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

2. Reflection of main risk factors during this Reporting Period and Countermeasures taken (or proposed to be taken) by the Company

During the Reporting Period, the Company further promoted the construction of the comprehensive risk management and internal control system according to the Standards of Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》) and other regulatory requirements and internal systems. (i) In respect of full coverage, the Company built a clearly arranged risk management framework covering various risks, different business lines and all departments/branches/subsidiaries, improved various risks management processes including risk identification, assessment, measurement, monitoring, reporting and response and continually enhanced prevention beforehand, in-process monitoring and follow-up inspections & disposal as to various risks. (ii) In respect of monitorability, the Company established a three-level indicator system covering supervising indicators, tolerance & limit indicators and business risk control indicators, conducted continuous monitoring and assessed extreme risks through various stress testing. (iii) In respect of measurability, the Company measured market risks, credit risks, liquidity risks and other risks, and continuously optimized the quantitative model and methods. (iv) In respect of analysis, the Company regularly prepared various reports, prepared non-periodical reports for significant risk events and included its subsidiaries into the scale of reports. (v) In respect of the risk-response ability, according to the risk assessment and warning results, the Company chose proper countermeasures, established an effective response mechanism and formulated a specific emergency system. In addition, the Company provided support and guarantee for comprehensive risk management through the following measures: (i) attached great importance to the promotion of risk control culture and promoted the risk culture by holding various training classes and thematic meeting and advertising on periodicals; (ii) improved the construction of risk management system and constructed a multi-level system covering various risks, businesses and management & control elements under the guidance of the Comprehensive Risk Management Approaches of Haitong Securities; (iii) established comprehensive risk management systems in an all-round manner and actively promoted the data governance work; (iv) recruited management talents, re-approved the staffing in risk management department after the adjustment of organizational structure in February 2017 and actively introduced talents to continuously meet the regulatory requirements for the ratio of risk management staff and the needs of risk management; (v) also increased its cost in risk management, formulated a specialized budget for information system and increased input in risk management information system, which all provided guarantee for deepening and implementing the Group's risk management.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the specific performance of risk management factors mentioned above was as follows:

(1) *Credit risk*

As at the end of December 2017, the average maintenance guarantee ratio of our customers in margin financing and securities lending business was 267.27%, and the average performance guarantee ratio of our customers in stock repo transaction and stock pledged repo business were 213.83% and 231.56%, respectively. The collaterals provided by the lenders are sufficient, and the overall credit risk of the financing business is under control. In respect of the Company's investment in credit type fixed income securities, the ratio of high credit rating securities whose debts or issuers with ratings of AA or above was 96.98%. The Company's counterparties of over-the-counter derivatives business are mainly financial institutions like commercial banks, securities companies and asset management companies. The Company is faced with limited credit risk from counterparties since it strictly controls the business scale and adopts appropriate and practical risk mitigation measures during the operations of the aforesaid businesses.

In addition, Haitong International Securities continued to implement prudent risk management policies in 2017, with overall credit risk of the financing business under control. During the Reporting Period, the four early warning indicators for consideration of risk limits, including customer concentration, single largest customer, single stock concentration and potential newly-increased wearing ratio, were kept within limits. The Company continued to improve the five-tier classification management system, improved corresponding approval policies and post-loan management in line with the development of each business and monitored and reviewed all financing projects. Regarding the over-the-counter derivatives business, the Company employed the internationally recognized CAMEL rating system (CAMEL) to evaluate the credit quality and examine and approve credit limits of its counterparties. The counterparty credit risks the Company faced at present is controllable. In 2017, Haitong UT Capital implemented a whole-chain credit risk control system covering the periods before, during and after loaning, and improved relevant policies, systems, standards and requirements from such aspects as organizational structure, credit audit guidance, due diligence, risk pricing, credit review and approval, which enhanced the overall credit risk management level. During the Reporting Period, all credit risk indicators were within limits. In 2017, Haitong Bank correspondingly revised its risk appetite as well as credit policies, and formulated a series of plans to adjust its asset structure. During the Reporting Period, Haitong Bank set up professional teams to strengthen the post-loan management on stock credit assets. No new credit risk events occurred and the overall credit risk was under control.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(2) *Market risk*

In 2017, the ratio of the Company's VaR to its net assets at the end of each month remained below 0.2%, the ratio of VaR of the parent company and major subsidiaries within the Group to the Group's net assets was also kept under 0.2% and the market risk was controllable and acceptable. However, the use of various financial instruments was still influenced by the regulatory environment, market environment and effectiveness of investment strategy. The effectiveness of management methods was also restricted by the adverse changes of market liquidity.

In 2017, the scale of the Company's equity securities investment remained stable as a whole. Besides traditional trend investment, the Company actively conducted innovative businesses such as options market making and over-the-counter options. In conducting the above innovative businesses, the Company adhered to risk-neutral investment strategy, and effectively controlled the relevant risk exposures.

Based on the trends of and the Company's judgment of the bond market and liquidity management needs, the Company flexibly adjusted allocation of non-equity securities and the scale of overall investment of non-equity securities of the Company remained stable with certain increase in 2017. The whole portfolio duration was under control and remained relatively stable at the end of each month. The duration at the end of 2017 was 2.62, and in 2017, the Company maintained an overall sound market risk control over its fixed income investments.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(3) *Operational risk*

The Company has adhered to standard operation procedures in general and did not have major operational risk events during the Reporting Period. It continued to strengthen the building and maintenance of the information technology system and conducted regular and sporadic inspections and maintenance in strict accordance with operation management procedure, thus ensuring the reliable, stable and safe operation of system. During the Reporting Period, there were no significant information technology risk events. The Company has constantly improved the construction of the internal control system, intensified the executive force of various rules and regulations and focused on improving every system and process, so there were no operational risk events with material adverse effect on the Company. The Company also continuously strengthened compliance management for its subordinate units, various business lines and employees, and enhanced implementation of various systems, mechanisms and processes.

(4) *Liquidity risk*

During the Reporting Period, the Company's sustained and sufficient capital reserves reduced the likelihood of the outbreak of liquidity risks and ensured that its capability of stable operations in a complex market environment. The Company's core liquidity supervising indicators are all well above the regulatory requirements and early warning threshold. Faced with an uncertain market environment in the future, the Company will continue to conduct asset-liability management actively and achieve higher capital utilization efficiency on the basis of safety and liquidity, so as to safeguard the sound operations of the Company. On the other hand, the Company has constantly enhanced its ability to cope with liquidity risks by testing its financing channels and cashability of quality liquid assets under pressure through liquidity risk emergency rehearsal.

(5) *Reputation risk*

During the Reporting Period, no adverse negative news or publicity regarding the Company which would affect the public opinion of the Company. The Company has effectively curbed the impact of negative news through adopting counter measures step by step according to Rules of Haitong Securities Co., Ltd. on Publicity Work. Accordingly, no significant reputation risk incident has happened.

During the Reporting Period, the Company maintained sound operations of its various businesses, reasonable assets allocation and healthy financial situation, and various risk control indicators including the net capital were in compliance with the regulatory requirements. The Group's comprehensive risk management structure was clear and its subsidiaries operated soundly, with controllable overall risk. The Group will continue to further enhance the system building, refine the internal control mechanisms, and improve the level of meticulous risk management.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

1. *Dynamic monitoring of risk control indicators*

To establish and improve the dynamic monitoring mechanism of risk control indicators, strengthen risk monitoring, and carry out businesses under measurable, controllable and endurable risks, in accordance with the Administrative Measures for the Risk Control Indicators of Securities Companies issued by the CSRC, Circular concerning the Issuance of Guidance (Interim) on Sensitivity Analysis of Financial and Capital Position and Stress Testing Mechanism of Securities Companies in Shanghai issued by the Shanghai Securities Regulatory Bureau, and the Securities Companies Stress Testing Guidelines issued by the Securities Association of China, the Company has set up the internal control systems, organizational structures and corresponding technology systems in conformity with related requirements based on the dynamic monitoring platform of risk control indicators and has carried out dynamic monitoring of risk control indicators. In strict accordance with the regulatory provisions, the Company provided written reports to the regulatory authorities regarding risk control indicators and achievements on a regular basis; in the event that changes in risk control indicators reach a certain level, it made timely reports to the local securities regulatory bureaus. The Company constantly improved the system construction, process optimization and data system upgrade of the dynamic monitoring platform and has achieved reporting to the local securities regulatory bureaus about the Company's net capital calculation sheet, calculation sheet of the total on-balance-sheet and off-balance-sheet assets, calculation sheet of liquidity coverage rate, calculation sheet of net stable funding rate, calculation sheet of risk capital reserves and statement of risk control indicators monitoring within T+1 days. The aforesaid measures were taken to ensure that various risk control indicators including net capital etc., are in line with regulatory requirements at any time point.

2. *Establishment of net capital replenishment mechanism*

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

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

The Company always adheres to the philosophy of sound business, and focuses on risk management to maintain a reasonable capital structure. As at the end of Reporting Period, net capital of the Company was RMB75,292 million, net asset was RMB106,859 million, risk coverage ratio was 249.31%, capital leverage ratio was 27.06%, and the liquidity coverage rate was 188.90%, and the net stable funding rate was 135.49%. During the Reporting Period, the operating risks were controlled at an acceptable level with asset in high quality and standardized business operations, and its risk control indicators were in line with regulatory requirements.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

In 2017, the Company conducted sensitivity analysis or stress testing on significant events including dividend distribution, significant investment, adjustment in upper limit of business scale, issuance of debt instruments, investment banking underwriting projects etc., and carried out the abovementioned events on the premise that the analysis and testing conclusions met the regulatory requirements. Meanwhile, in accordance with the regulatory provisions, stress testing has been conducted at the end of each month for all possible extreme cases. In 2017, the Company conducted a total of 60 sensitivity analysis and stress testing on risk control indicators, and all testing results were in line with the requirements of the regulatory authorities, and were taken as the basis of the major decisions of the Company. In addition, the Company also conducted 48 stress testing on liquidity risks to ensure that in future the liquidity risk control indicators can meet regulatory requirements at any point in time.

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

In May 2007, the CSRC issued the Circular on Issuance of Pilot Work Scheme for Guidance of Setup of General Compliance Officer and Establishment of Compliance Management System by Securities Companies. As one of the first seven pilot compliance securities firms, the Company took the lead in completing the compliance pilot program in March 2008. By establishing and improving the compliance management system and organizational system, the Company carried out compliance consultation, training, review, compliance monitoring, inspections and accountability to penetrate the compliance work into various business sectors, which has been recognized by the regulatory authorities.

The Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies (Zheng Jian Hui Ling No. 133, hereinafter referred to as Measures for the Compliance Management) and Guidelines for the Compliance Management of Securities Companies (Zhong Zheng Xie Fa [2017] No. 208, hereinafter referred to as Guidelines for the Compliance Management. Measures for the Compliance Management and Guidelines for the Compliance Management, collectively known as the new regulations on compliance management), formally entered into force in 2017, indicating that the compliance management of securities companies has entered a new era. During the Reporting Period, in strict accordance with the new regulations on compliance management and in light of the actual situation of the Company, the Company established a scientific and rational compliance management framework system with clear duties delegated.

Vertically, the Company has established the organizational structure of compliance management to define the compliance management positions of the following persons, including the Board of Directors, the Supervisory Committee, the principal in charge of operation management, general compliance officer and other senior management. In particular, the Board of Directors of the Company is responsible for the effectiveness of compliance management; the Supervisory Committee is responsible for supervising the Board of Directors and senior management's performance of compliance management duties; the principal in charge of operation management bears responsibility for the compliance operations of the Company; other senior management takes responsibility for the compliance operations of businesses under their charge; the general compliance officer reviews, supervises and inspects the compliance of the operation management and practice behaviour of the Company and staff thereof.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

Horizontally, the Company has formed the horizontal axis of the compliance department, other internal control departments and subordinate units of the Company (including various departments, branches and subsidiaries). In particular, the compliance department, in charge of the general compliance officer, performs the compliance management duties in accordance with the Company's requirements and general compliance officer's arrangements; the risk management department, operation department, audit department, finance department, information management department, discipline inspection and supervision department and other foreground, mid-ground and background departments responsible for compliance management have well-defined roles and responsibilities, coordination and interaction; persons in charge of subordinate units are responsible for the achievement of compliance management goals and compliance operations of their respective units, and all employees take responsibility for compliance of their own practice behaviour.

As a result, the Company has formed a comprehensive compliance management system that applies to the decision-making, execution, supervision, feedback and other links. All parties involved in operation management and business development established a new concept of "everyone shall be compliant and compliance shall start from senior management".

During the Reporting Period, the Company's general compliance officer strictly performed compliance management duties according to applicable laws. The Company's shareholders, Directors and senior management had neither violated the stipulated duties and procedures, nor given direct instructions to the general compliance officer or interfered with his work. The Company provided human resource, material resource, financial resource and technical support to its general compliance officer to fully carry out his duties to ensure effective compliance management.

During the Reporting Period, the Company promoted the implementation of the new regulations; implemented the compliance philosophy of "everyone shall be compliant, compliance shall start from senior management, compliance creates value and compliance is the lifeline of the Company"; strengthened the compliance management of subordinate units, business lines and employees; strived to intensify the execution of various systems, mechanisms and processes via prior review, in-process monitoring, post-event examination, assessment and measures on assessment and accountability; stepped up efforts in policy transmission and compliance promotion and actively fostered a new environment "full compliance and active compliance" by all staff.

During the Reporting Period, the compliance department and audit department of the Company conduct regular or irregular inspections and audits, including compliance inspections and regular and special audits, in various departments, branches and subsidiaries of the Company. The Company's internal control level was enhanced greatly through compliance audit and inspections, and corresponding compliance assessment and accountability mechanism. At the same time, in view of the stringent regulatory situation, the Company actively studied the new regulatory provisions and continuously deepened the construction of compliance management to ensure and promote the sustainable, compliance and healthy development of the Company.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

IV. THE SITUATION THAT THE COMPANY FAILED TO DISCLOSE INFORMATION ACCORDING TO THE STANDARDS DUE TO SPECIAL REASONS, E.G. NON-APPLICABILITY TO THE STANDARDS OR STATE SECRETS AND TRADE SECRETS AND THE DESCRIPTION OF RELEVANT REASONS

✓ Not applicable

V. OTHERS

(I) Pre-emptive right arrangement

In accordance with the PRC laws and the Articles of Association, the Company's shareholders have no pre-emptive right.

(II) Sufficiency of public float

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

(III) Directors' interest in the business competing with the Company

Mr. Chen Bin, a non-executive Director of the Company, has been a non-executive director of Orient Securities Company Limited since October 2014. Mr. Xu Jianguo, a non-executive Director of the Company, has been a non-executive director of Orient Securities Company Limited since November 2016. As Orient Securities Company Limited is engaged in, among others, securities brokerage, securities investment consultation, financial consultation service relating to securities trading and securities investment, proprietary trading, margin financing and securities lending, securities underwriting, securities investment fund agency, share options market making and etc., Orient Securities Company Limited competes or is likely to compete, either directly or indirectly, with some aspects of the business of the Company. Save as disclosed above, none of the Directors has any interest in the business which competes or is likely to compete, either directly or indirectly, with the Company's business.

(IV) Service contracts of Directors and Supervisors

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

(V) Directors' and Supervisors' interests in transaction, arrangement or contract of significance

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

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(VI) Share option scheme

For the share option scheme of the Group, please refer to “XIII. SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES OF THE COMPANY AND THEIR EFFECTS” in Section V of this Report.

(VII) Major clients and suppliers

The Company serves a diverse base of institutional and retail clients across a spectrum of sectors. The Company’s clients range from large state-owned enterprises, multinational corporations and SME clients to high-net-worth individuals and retail customers. Its clients are primarily located in the PRC. The improving overseas network layout will help the Company provide offshore services and expand its customers’ sources. In 2017, total revenue generated from top five customers accounted for 6.27% of the Group’s total revenue and other income.

Due to the Company’s business nature, the Company has no major suppliers.

(VIII) Contract of significance

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

(IX) Management contract

During the Reporting Period, no contracts were (other than the service contracts with any Director or Supervisor or any of the full-time employee of the Company) still in force, and pursuant to which, the management and administration of the whole or any substantial part of the business of the Company were undertaken by any individual or entity.

(X) Permitted indemnity provision

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

(XI) Equity-linked agreement

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

(XII) Share capital and issuance of shares and securities

For the information of the Company’s share capital and issuance of shares and securities as at 31 December 2017, please refer to “I. CHANGE IN SHARE CAPITAL OF ORDINARY SHARES” and “II. SECURITIES ISSUANCE AND LISTING” in Section VI of this Report, and Section X of this Report.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

(XIII) The Company's environmental policies and performance

For the Company's environmental policy and performance, please refer to "XVII. ENVIRONMENTAL POLICIES AND PERFORMANCE AND ACTIVITIES FULFILLMENT OF SOCIAL RESPONSIBILITIES" in Section V of this Report.

(XIV) Compliance of Relevant Laws and Regulations

The Board is of the view that during the Reporting Period, the Company legally operated its business and its decision-making procedure was in compliance with relevant laws, regulations and the Articles of Association. Save as disclosed in "V. PARTICULARS ABOUT PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES DURING RECENT THREE YEARS" in Section VIII of this Report, during the Reporting Period, the Company complied with relevant laws, regulations that have a significant impact on the Company. The Company is not aware of any breach of laws and regulations and the Articles of Association which would have a significant impact on the Company or any act which would prejudice the interests of the Company and its shareholders by any Directors, Supervisors or senior management when performing their duties during the Reporting Period.

(XV) Profit distribution resolution

For the profit distribution resolution of the Company, please refer to "I. PROPOSAL ON PROFIT DISTRIBUTION FOR ORDINARY SHARES AND CONVERSION OF CAPITAL RESERVE INTO CAPITAL" in Section V of this Report.

1 Taxation of holders of A Shares

According to the Circular of the Ministry of Finance, the State Administration of Taxation and the CSRC on Relevant Issues concerning Implementation of Differentiated Individual Income Tax Policies for Dividends of Listed Companies (Cai Shui [2012] No. 85) and the Circular of the Ministry of Finance, the State Administration of Taxation and the CSRC on Relevant Issues concerning Differentiated Individual Income Tax Policies for Dividends of Listed Companies (Cai Shui [2015] No. 101), for individual shareholders of the Company who hold shares for a period (from the date of an individual's acquirement of the shares of a listed company from the public offer and transfer market to the date prior to the date of transfer and settlement of such shares) of within one month (including one month), their dividends are fully included in taxable income (effective tax rate is 20%); for those who hold shares for a period of over one month to one year (including one year), 50% of their dividends are temporarily included in taxable income (effective tax rate is 10%); for those who hold shares for a period of over one year, individual income tax on dividends is temporarily exempted. Temporarily, for individuals who hold shares for a period less than one year (inclusive), the listed company shall not withhold any income taxes; when an individual transfers his/her shares, the securities depository and clearing company calculates the taxable income according to his/her period for holding shares, and the company withholds tax otherwise through the securities depository and clearing company for the part in excess of the withheld tax. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the Cai Shui [2012] No. 85 requirements. For shareholders who are resident enterprises, the income tax on their cash dividends shall be payable on their own.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

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

2 Taxation of holders of H Shares

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

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

Pursuant to the current practices of the Inland Revenue Department of Hong Kong, no taxes shall be levied for the dividends distributed by the Company in Hong Kong.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

3 Profit distribution for investors in mainland China investing in H Shares of the Company through Shanghai-Hong Kong Stock Connect

For investors of the Shanghai Stock Exchange (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H Shares through Shanghai-Hong Kong Stock Connect, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares through Shanghai-Hong Kong Stock Connect through its depository and clearing system. The cash dividends for the investors of H Shares through Shanghai-Hong Kong Stock Connect will be paid in RMB. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)), for dividends received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the individual investors. For dividends received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold or pay the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the relevant tax themselves.

4 Profit distribution for investors in mainland China investing in H Shares of the Company through Shenzhen-Hong Kong Stock Connect

For investors of the Shenzhen Stock Exchange (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange, the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, which is expected to be the nominee of the holders of H Shares through Shenzhen-Hong Kong Stock Connect, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares through Shenzhen-Hong Kong Stock Connect through its depository and clearing system. The cash dividends for the investors of H Shares through Shenzhen-Hong Kong Stock Connect will be paid in RMB. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No.127) (關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)), for dividends received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the individual investors. For dividends received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold or pay the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the relevant tax themselves.

SECTION IV REPORT OF THE BOARD OF DIRECTORS

5 Profit distribution for investors of Northbound trading

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A Shares of the Company listed on the Shanghai Stock Exchange (hereinafter referred to as “Investors of Northbound Trading”), their final dividends will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such A Shares. The Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the tax authorities for the withholding. For the Investors of Northbound Trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax agreement with the PRC stipulating a dividend tax rate lower than 10%, those enterprises or individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the Company for the preferential treatment under such tax agreement. Upon approval by the competent tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax agreement will be refunded.

The shareholders of the Company are suggested to seek advice from their tax adviser concerning the tax effect involved in China, Hong Kong, and other countries (region) with respect to the ownership and disposition of the shares of company.

(XVI) Events Subsequent to the Reporting Period

Other than those disclosed in this Report, the Company had no material events subsequent to the settlement date of the financial year and up to the date of this Report.

SECTION V SIGNIFICANT EVENTS

I. PROPOSAL ON PROFIT DISTRIBUTION FOR ORDINARY SHARES AND CONVERSION OF CAPITAL RESERVE INTO CAPITAL

(I) Formulation, implementation or adjustment of cash dividends policy

The Company has always provided reasonable investment return to shareholders, and adopted a continuous, stable, and proactive profit distribution policy. The Company's establishment and implementation of the profit distribution policy, in particular the cash dividends policy, are in strict compliance with the Articles of Association and are subject to the consideration and approval of the Board meetings and shareholders' general meetings of the Company. The Company has an explicit and clear policy regarding the criteria and ratio of dividend distribution and a sound and comprehensive decision-making procedure and mechanism. Independent Directors have duly performed their duties to the fullest, and minority shareholders have a fair chance to fully express their opinions and requests, due to which the legitimate rights and interests of minority shareholders are adequately protected.

From 2007 to 2016, cash dividends of RMB18,229 million (inclusive of tax) and stock dividends of 1,234 million shares (inclusive of tax) were distributed to shareholders of the Company and share capital of 2,880 million shares were converted from capital reserve on a cumulative basis. From 2007 to 2016, the percentage of dividends distributed each year accounted for more than 30% of the profit available for distribution, among which, the percentage from 2014 to 2016 was 148.25%, 54.71% and 63.14% respectively.

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

SECTION V SIGNIFICANT EVENTS

The implementation of the 2016 profit distribution plan of the Company was completed on 27 July 2017. On the basis of the total share capital of 11,501,700,000 shares of the Company, a cash dividend of RMB0.22 (tax inclusive) per share were distributed to the shareholders of the Company (which means a cash dividend of RMB2.20 (tax inclusive) for every 10 shares were distributed), resulting in a total cash dividend of RMB2,530,374,000.00 (tax inclusive). The cash dividends distributed to holders of A Shares amounted to RMB1,780,268,859.60 based on the total share capital of 8,092,131,180 A Shares and the cash dividends distributed to holders of H Shares amounted to HK\$855,874,056.68 based on the total share capital of 3,409,568,820 H Shares.

(II) Plans or proposals on profit distribution plan for ordinary shares, and plans or proposals on conversion of capital reserve into share capital for the recent three years (including the Reporting Period)

As audited, profit for the year 2017 attributable to owners of the parent company in the consolidated financial statements was RMB8,618,423,293.06 and the net profit of the parent company for 2017 was RMB6,187,564,013.18.

In accordance with the relevant regulations including the PRC Company Law, the PRC Securities Law, the Financial Rules for Financial Enterprises and the Articles of Association, the Company may distribute profits to investors after appropriating statutory reserve funds and reserve funds. The Company appropriated to statutory reserve, general risk reserve and transaction risk reserve, respectively, 10% of the net profit realized by the parent company in 2017, each amounting to RMB618,756,401.32, totaling RMB1,856,269,203.96. Plus the retained profits of RMB18,662,316,148.54 of the parent company at the beginning of the year after deducting the dividends of RMB2,530,374,000.00 distributed by the Company due to implementation of the profit distribution plan for 2016, the parent company's retained profits amounted to RMB20,463,236,957.76 at the end of the year. According to relevant regulations, the income from changes in fair value of profits available for distribution shall not be used for cash distribution. After excluding the impact of 2017 fair value change gains on profits available for cash distribution to investors, the Company's profits available for cash distribution to investors in 2017 amounted to RMB4,189,625,766.29. After taking into account the Company's long-term development and investors' interests, the Company's profit distribution proposal for 2017 is as below:

1. On the basis of a total share capital of 11,501,700,000 A Shares and H Shares as at 31 December 2017, cash dividend of RMB2.30 per 10 shares (inclusive of tax) will be distributed to all holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date, with total cash dividend amounting to RMB2,645,391,000.00. The retained profits of the parent company of RMB17,817,845,957.76, following the cash dividend distribution will be carried forward to the next year.
2. Cash dividends are denominated and declared in Renminbi and payable in Renminbi to A shareholders and in Hong Kong dollars to H shareholders. The actual amounts declared in Hong Kong dollars are converted based on the average benchmark exchange rate for Renminbi to Hong Kong dollars as announced by the People's Bank of China for the five business days prior to the date of the 2017 annual general meeting.

SECTION V SIGNIFICANT EVENTS

The profit distribution plan of the Company for 2017 is subject to approval by shareholders at the 2017 annual general meeting of the Company, and it is expected that the cash dividends will be distributed to the shareholders within two months after such plan is approved at the general meeting.

The Company will announce in due course the date of convening the 2017 annual general meeting, and for the purpose of ascertaining the entitlement of the shareholders to attend and vote at the 2017 annual general meeting, the timing for which the register of members of the Company will be closed. The Company will give further notice on the record date and book closure date for the H Shares dividend distribution.

Year of distribution	Number of dividend shares for every 10 shares (share)	Amount of dividend for every 10 shares (RMB) (inclusive of tax)	Number of shares converted for every 10 shares (share)	Amount of cash dividends (inclusive of tax)	Net profit attributable to shareholders of ordinary shares of the Company in the consolidated financial statements during the year of distribution	Unit: RMB
						Percentage of amount of cash dividends in net profit attributable to shareholders of ordinary shares of the Company in the consolidated financial statements (%)
2017	0	2.3	0	2,645,391,000.00	8,618,423,293.06	30.69
2016	0	2.2	0	2,530,374,000.00	8,043,334,519.30	31.46
2015	0	4.5	0	5,175,765,000.00	15,838,850,897.61	32.68

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

✓ Not applicable

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

✓ Not applicable

SECTION V SIGNIFICANT EVENTS

II. PERFORMANCE OF UNDERTAKINGS

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

✓ Not applicable

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

✓ Not applicable

III. EMBEZZLEMENT OF FUNDS AND REPAYMENT OF DEBTS DURING THE REPORTING PERIOD

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

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

✓ Not applicable

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

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

In 2017, the Ministry of Finance successively amended several accounting standards for business enterprises, including: the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument, the Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets, the Accounting Standard for Business Enterprises No. 24 – Hedging Accounting, the Accounting Standard for Business Enterprises No. 37 – Presentation and Reporting of Financial Instrument, the Accounting Standard for Business Enterprises No. 14 – Revenue, the Accounting Standard for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations, and the Accounting Standard for Business Enterprises No. 16 – Government Grants. Pursuant to the requirements of the Ministry of Finance, the Company has implemented changes to the abovementioned accounting policies. The impacts of the changes of accounting policies on the Company are:

SECTION V SIGNIFICANT EVENTS

1. *Changes in Accounting Policies in Relation to Financial Instruments*

Pursuant to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets, the Accounting Standards for Business Enterprises No. 24 – Hedge Accounting and the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments, based on “business model” and “contractual cash flow characteristics” of financial assets held, financial assets are divided into three categories, namely, “financial assets measured at amortized cost”, “financial assets measured at fair value through other comprehensive income” and “financial assets at fair value through profit or loss”; the impairment of financial assets is changed from the approach of “loss occurred” to “expected loss”, and the scope of provision is expanded; the eligible hedging instruments and hedged items are broadened in hedge accounting and the quantitative requirements are replaced by qualitative hedge effectiveness requirements, introducing a “rebalance” mechanism on hedging relationship; the disclosure requirements for financial instruments shall be adjusted accordingly;

According to the requirements of the MOF, the Group shall implement the above new standards from 1 January 2018. Pursuant to the cohesion regulations, the enterprise shall restate the balance sheet as of 1 January 2018 according to the new standards, without restating the comparable figures of the previous period. From 1 January 2018 to later accounting period, the Group shall conduct accounting and relevant re-presentation pursuant to the new accounting standards, without restating the comparable information for the period of 2017.

The main impacts of the implementation of abovementioned new standards on accounting and relevant presentations include: according to the new standards, the Group shall classify and measure the financial assets of the Company, including necessary adjustments to the valuation method; impairment test on relevant financial assets under the expected loss method, and re-measure their book value; adjust other comprehensive income and initial retained earnings accordingly. Based on the financial assets position held by the Group as at the end of the year and the measurement of the abovementioned changes, the changes in the classification, measurement and impairment of financial assets are expected to widely affect the financial statements of the Group but have no significant impact on the Group’s total assets and net assets.

SECTION V SIGNIFICANT EVENTS

2. *Changes in Accounting Policies in Relation to Revenue*

Pursuant to the Accounting Standards for Business Enterprises No. 14 – Revenue amended by the MOF, the original revenue and construction contracts standards shall be incorporated into a unified revenue recognition model; the risk-and-reward approach shall be replaced by the transfer-of-control approach as the criteria for the time of revenue recognition; more prescriptive guidance shall be provided for the accounting treatment of contracts concerning multiple trading arrangements; the revenue recognition and measure of certain specific transactions (or matters) were expressly formulated.

According to the requirements of the MOF, the Group shall implement the abovementioned new standards from 1 January 2018. Pursuant to the provisions for the transactional period, the enterprises which implement the standards for the first time shall, based on the cumulative effect of initially applying the standards, adjust the opening balance of retained earnings and the amount of other relevant items in financial statements at the beginning of the year (in which this standard is first applied), and shall not adjust the information of the comparative period. The changes will not have a significant impact on the Group's net profits, total assets and net assets.

The remaining accounting policies have been effective since 2017 and did not have a significant impact on the financial statements for the year 2017 of the Group.

The proposal regarding the changes of abovementioned accounting policies has been considered and approved at the 29th meeting of the sixth session of the Board.

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

✓ Not applicable

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

✓ Not applicable

(IV) **Other explanations**

✓ Not applicable

SECTION V SIGNIFICANT EVENTS

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: RMB0'000

Currently engaged	
Name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
Remuneration of the domestic accounting firm	290
Term of the audit services provided by domestic accounting firm	7 years
Name of the overseas accounting firm	Deloitte & Touche (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership))
Remuneration of the overseas accounting firm	330
Term of the audit services provided by overseas accounting firm	6 years

Unit: RMB0'000

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

Explanations on appointment and dismissal of accounting firms

During the Reporting Period, the Company re-appointed BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) ("BDO China") as its external auditor for 2017, who will be responsible for provision of relevant domestic audit services in accordance with PRC GAAP, for a term of one year with auditing fees of RMB2.90 million. The Company appointed BDO China as its internal control auditor, with auditing fees of RMB400,000. In addition, Deloitte & Touche (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership)) ("Deloitte & Touche") was re-appointed as the Company's external auditor for 2017 for a term of one year, who will be responsible for provision of relevant audit and review services in accordance with IFRS, with auditing fees of RMB3.30 million. BDO China and Deloitte & Touche, etc. provided audit service for subsidiaries of the Group, with total service fee of RMB15.11 million. During the Reporting Period, there was no disagreement from the Board to the opinions of selection and appointment of external auditor from the Audit Committee.

Explanations on change of accounting firms during the audit period

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

SECTION V SIGNIFICANT EVENTS

VII. FACING THE RISK OF SUSPENSION OF LISTING

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

VIII. FACING THE RISK OF DELISTING AND REASON

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

IX. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

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

X. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company was not involved in any material litigation or arbitration that involves claims of over RMB10 million and accounting for more than 10% of the absolute value of the Company's net assets as audited in the latest financial statements, which shall be disclosed in accordance with the requirements under the Shanghai Stock Exchange Listing Rules.

XI. PUNISHMENT AGAINST AND RECTIFICATION ON THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND ACQUIRER

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

On 23 May 2017, the Company received an Advance Notice of Administrative Penalty (Chu Fa Zi [2017] No. 59) from the CSRC. The CSRC intended to impose administrative penalties on the Company due to the Company's suspected misconduct of failure to execute business contracts with customers in accordance with relevant provisions or failure to contain necessary terms in business contracts with customers in accordance with relevant provisions in its margin financing and securities lending business. For further information, please refer to the Company's announcement dated 24 May 2017. The Company's employees involved in the event have proposed statements and defenses according to the procedures prescribed, and further decision is pending.

SECTION V SIGNIFICANT EVENTS

XII. EXPLANATIONS ON THE CREDIT-WORTHINESS OF THE COMPANY, ITS CONTROLLING SHAREHOLDER, AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

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

XIII. SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES OF THE COMPANY AND THEIR EFFECTS

The Company did not implement any share incentive scheme.

(I) Share Option Scheme of Haitong International Securities

On 23 August 2002, a share option scheme (the “2002 Share Option Scheme”) was approved and adopted by the shareholders of Haitong International Securities, a subsidiary of the Company, which expired on 22 August 2012. According to the 2002 Share Option Scheme, options could be granted to any full time employees, executive and non-executive directors of Haitong International Securities and any of its subsidiaries or associates. The exercise price of the share options was determinable by the directors of Haitong International Securities, and should be at least the highest of (1) the closing price of its shares as stated in the Hong Kong Stock Exchange’s daily quotations sheet on the offer date; (2) the average closing price of its shares as stated in the Hong Kong Stock Exchange’s daily quotations sheets for the 5 trading days immediately preceding the offer date; and (3) the nominal value of its shares. For the year ended 31 December 2017, holders of options of Haitong International Securities exercised 3,327,798 share options under the 2002 Share Option Scheme.

On 8 June 2015, a new share option scheme (the “2015 Share Option Scheme”) was approved and adopted at the extraordinary general meeting of Haitong International Securities, which was valid and effective for a period of 10 years commencing from the date of adoption. According to the 2015 Share Option Scheme, options could be granted to any Director (including executive Directors, non-executive Directors and independent non-executive Directors) or employees (no matter full-time or part-time) of Haitong International Securities and any of its subsidiaries. The exercise price of the share options was determinable by the directors of Haitong International Securities, and should be at least the highest of (1) 110% of the closing price of its shares as stated in the Hong Kong Stock Exchange’s daily quotations sheet on the offer date; (2) the average closing price of its shares as stated in the Hong Kong Stock Exchange’s daily quotations sheets for the 5 trading days immediately preceding the offer date; and (3) the nominal value of its shares.

For the year ended 31 December 2017, Haitong International Securities granted 13,350,000 share options under the 2015 Share Option Scheme and all of them were accepted. There were 1,951,274 share options which lapsed during the period due to the resignation of employees.

SECTION V SIGNIFICANT EVENTS

As at the end of 31 December 2017, share options which have been issued but not yet exercised by Haitong International Securities are set out as follows:

Share Option Scheme	Number of share options issued but not yet exercised (Note)	Exercise price per share (Note)	Exercise period
2002 Share Option Scheme	5,812,110 shares	HK\$2.764	3 March 2011 to 2 March 2019
2015 Share Option Scheme	15,878,100 shares	HK\$4.667	8 December 2016 to 11 May 2021
	13,350,000 shares	HK\$5.038	7 June 2018 to 9 November 2022
Total	35,040,210 shares		

Note: The amount of share options and the exercise price of share options may be adjusted for rights issue, scrip dividend, bonus share issuance or other similar changes in the Company's share capital.

Share options of the 2002 Share Option Scheme which have not yet been exercised accounted for approximately 0.11% of the issued shares of Haitong International Securities as at 31 December 2017. If the remaining options are fully exercised, under the current share capital structure of Haitong International Securities, an additional of 5,812,110 ordinary shares of Haitong International Securities will be issued, while the share capital of Haitong International Securities will increase by HK\$581,000 and the share capital premium will be HK\$15,483,000 (including issuing expenses).

Share options of the 2015 Share Option Scheme which have not yet been exercised accounted for approximately 0.53% of the issued shares of Haitong International Securities as at 31 December 2017. If the remaining options are fully exercised, under the current share capital structure of Haitong International Securities, an additional of 29,228,100 ordinary shares of Haitong International Securities will be issued, while the share capital of Haitong International Securities will increase by HK\$2,923,000 and the share capital premium will be HK\$138,438,000 (including issuing expenses). Please refer to Note 64 to the Consolidated Financial Statements of this Report and the 2017 annual report published by Haitong International Securities on the website of the Hong Kong Stock Exchange for more details.

SECTION V SIGNIFICANT EVENTS

(II) Share Option Scheme of Haitong UT Capital

Haitong UT Capital, a subsidiary of the Company, adopted a share option incentive scheme on 27 May 2014, which was valid for a period of five years commencing from the date of adoption. According to the scheme, the eligible participants include directors, senior management, key operational managerial personnel and key technical and business personnel of Haitong UT Capital and its subsidiaries as determined by the board of directors of Haitong UT Capital, the total number of which shall not exceed 50. No more than 97,321,500 share options are intended to be granted to the participants under the scheme. On 19 January 2015, the board of directors of Haitong UT Capital resolved to offer to allocate share options to 28 qualified participants (grantees) under such scheme, to subscribe for a total of no more than 85,980,375 ordinary shares in the share capital of Haitong UT Capital according to the share option incentive scheme.

Considering the requirements of applicable PRC laws and regulations, as well as the strategic development and operations and management needs of Haitong UT, the board of the directors of Haitong UT Capital resolved to implement an exit arrangement for the share options that have been granted under the share option scheme but not yet exercised, pursuant to the authorization given by the general meeting of Haitong Securities to the board of the directors of Haitong UT Capital on 27 May 2014. In formulating the arrangement, due consideration was given to the terms of the share option incentive scheme and the contributions made by the relevant participants to Haitong UT.

XIV. MATERIAL RELATED PARTY TRANSACTIONS

During the Reporting Period, other than Note 65 to the Consolidated Financial Statements of this Report, the Group had no material related party transactions. The Company confirms that such related party transaction did not constitute a connected transaction under Chapter 14A of the Hong Kong Listing Rules, except for the related party transaction entered into between the Company and Shanghai Shengyuan Real Estate (Group) Co., Ltd., which constitutes a de minimis connected transaction under Chapter 14A of the Hong Kong Listing Rules, and is therefore exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. Please refer to the Company's announcement dated 29 March 2017 for more details. During the Reporting Period, the Company did not have any connected transaction which would be required to be disclosed under Chapter 14A of the Hong Kong Listing Rules.

SECTION V SIGNIFICANT EVENTS

(I) Related party transactions in relation to daily operations

During the Reporting Period, the Company has strictly complied with the “Resolution regarding Daily Related Party Transactions of the Company for the Year 2017” considered and approved by the 2016 annual general meeting to carry out daily related party transactions, and relevant implementation status are as follows:

- **Related party transactions with BNP Paribas Investment Partners BE Holding SA and its related companies**

Category of Transactions	Contents of Transactions	Descriptions of Transactions	Actual Transaction Volume in 2017 (RMB ten thousand)	Proportion in Same Type of Business (%)
Services for Securities and Financial Products	Fees and commission income	Mainly including income from investment banking business, income from agency sales of fund products, investment consultation service fees, asset management fees and income from securities underwriting, etc.	952.37	0.19%
	Business and management expenses	Mainly including consultation fee and costs of sales paid to the related parties, etc.	12.17	0.00%
Trading in Securities and Financial Products	Fee and commission income	Mainly including fees and commission income from securities trading	89.12	0.01%
	Accounts of bond transactions	Mainly including transaction volume from stock pledged repurchase, resale or repurchase in the interbank market, return swap and other businesses	31,000.00	–
	Accounts of repurchase transactions	Mainly including repurchase transactions involving fixed income, etc.	19,012.00	–
	Interest rate swap	Mainly including transactions resulting from fixed income, etc.	34,000.00	–
	Accounts receivable	Mainly including management fees receivable	213.34	0.03%
	Accounts payable	Mainly including accounts payable incurred from business such as maintenance of fund clients	1,014.57	0.16%

SECTION V SIGNIFICANT EVENTS

- **Shanghai Shengyuan Real Estate (Group) Co., Ltd. (上海盛源房地產(集團)有限公司)**

Category of Transactions	Contents of Transactions	Descriptions of Transactions	Actual Transaction Volume in 2017 (RMB ten thousand)	Proportion in Same Type of Business (%)
Trading in Securities and Financial Products	Accounts from securities agency trading	Mainly including assets such as margin deposits from clients	0.31	0.00%

- **Related party transactions with companies (other than the Company and its subsidiaries), where the Company's Directors, Supervisors and senior management hold positions as directors or senior management, and other related corporate legal persons**

Category of Transactions	Contents of Transactions	Descriptions of Transactions	Actual Transaction Volume in 2017 (RMB ten thousand)	Proportion in Same Type of Business (%)
Services for Securities And Financial Products	Fees and commission income	Mainly including income from investment banking business, income from agency sales of fund products, investment consultation service fees, asset management fees and income from securities underwriting, etc.	13,695.97	2.76%
	Business and management fees expense	Mainly including consultation fee and costs of sales paid to the related parties, etc.	3,817.04	0.39%

SECTION V SIGNIFICANT EVENTS

Category of Transactions	Contents of Transactions	Descriptions of Transactions	Actual Transaction Volume in 2017 (RMB ten thousand)	Proportion in Same Type of Business (%)
Trading in Securities and Financial Products	Fees and commission income	Mainly including fees and commission income from securities trading	41.62	0.01%
	Interest income	Mainly including interest income from stock pledged repurchase, resale or repurchase in the interbank market, return swap and other businesses	12,691.44	0.84%
	Interest expense	Mainly including interest expenses incurred from deposits of clients, etc.	8,550.06	0.75%
	Accounts from securities agency trading	Mainly including assets such as margin deposits from clients	23,282.30	0.28%
	Short-term financial bills payable	Mainly including subscription for income receipts, etc.	10,031.34	0.34%
	Repurchase transaction volume	Mainly including repurchase transactions included in businesses such as fixed income investment	1,632,697.50	–
	Bonds transaction volume	Mainly including transactions incurred from businesses such as fixed income investment	545,000.00	–
	Rate Exchange	Mainly including transactions incurred from businesses such as fixed income investment	90,000.00	–
	Bank Borrowings	Mainly including bank borrowings from financial leasing business, etc.	279,149.10	4.55%
	Interest payables	Mainly including interest payables from financial leasing business, etc.	253.44	0.08%

SECTION V SIGNIFICANT EVENTS

XV. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Custody, contracting and leasing matters

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

(II) Guarantees

Unit: RMB

External guarantees provided by the Company (excluding the guarantees for subsidiaries)														
Guarantor	Relationship between guarantor and the listed company	Party Guaranteed	Amount of guarantee	Date of provision of guarantee (execution date of agreement)	Commencing date of guarantee	Expiry date of guarantee	Guarantee type	Guarantee fulfilled or not	Guarantee overdue or not	Amount of guarantee over due	Whether counterguarantee exists	Related parties guarantee or not	Related relationship	
				/										/

Total amount of guarantees incurred in the Reporting Period (excluding the guarantees provided for subsidiaries) 0

Total balance of guarantees at the end of the Reporting Period (A) (excluding the guarantees provided for subsidiaries) 0

Guarantees provided by the Company and its subsidiaries for its subsidiaries

Total amount of guarantees provided for subsidiaries during the Reporting Period 2,997,984,000

Total guarantee balance provided for subsidiaries at the end of the Reporting Period (B) 29,684,423,852

Total amount of guarantees provided by the Company (including those provided for subsidiaries)

Total amount of guarantees (A+B) 29,684,423,852

Percentage of total guarantee amount to the net assets of the Company 25.2%

Including:

Amount of guarantees provided to shareholders, de facto controllers and their related parties (C) 0

Amount of debt guarantees directly or indirectly provided for the parties guaranteed with the gearing ratio exceeding 70% (D) 22,243,097,800

Amount of the portion of total guarantee exceeding 50% of net assets (E) 0

Total amount of the above three types of guarantees (C+D+E) 22,243,097,800

SECTION V SIGNIFICANT EVENTS

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

Explanations on guarantees

1. On 27 April 2017, the Resolution on Provision of Joint and Several Guarantee for Offshore Debt Financing by Wholly-owned Offshore Subsidiary was considered and approved at the 24th meeting of the sixth session of the Board. On 8 June 2017, the Company entered into the Loan Agreement as a guarantor and provided joint and several guarantee in respect of the syndicated loans of EUR200 million for Haitong International Holdings, its wholly-owned offshore subsidiary.
2. On 29 August 2016, the Resolution on Providing Additional Guarantees for the Net Assets of HT Asset Management and Increasing Contribution to its Registered Capital was considered and approved at the 18th meeting of the sixth session of the Board, in which, the Company was approved to provide additional guarantees of no more than RMB4,000 million for the net assets of HT Asset Management. The Company provided guarantees up to RMB4,000 million for the net assets of HT Asset Management and undertook to provide cash within the abovementioned amount unconditionally to HT Asset Management when it needs cash to carry out business. The guarantees for the net assets are effective from the date of approval by the Board.
3. On 9 February 2015, at the first extraordinary general meeting for 2015 and the first A Shareholders'/H Shareholders' Class Meetings for 2015, the Company considered and approved the Resolution on Increase in Quota of External Guarantee, in which, the Company was approved to provide joint and several guarantee for the offshore wholly-owned subsidiary(ies) of the Company for the issue of offshore debt financing instruments on a one-off or multiple issuances or multi-tranche issuances basis, through public or non-public offerings, and the aggregate size of the offshore corporate debt financing instruments should not exceed 50% of the net assets of the Company as at the end of the latest period.

SECTION V SIGNIFICANT EVENTS

On 5 June 2015, the Company held the sixth meeting of the sixth session of the Board, considering and approving the Resolution on Provision of Joint and Several Guarantee for Issuance of EUR Bonds by Wholly-owned Offshore Subsidiary. Due to actual condition of such issuance, it has been completed in two tranches, and two Deeds of Guarantee were signed. The Company signed the first Deed of Guarantee on 18 May 2016, pursuant to which, the Company provided joint and several guarantee for the issue of EUR 100 million 1.6% bonds due 2021 by Haitong International Finance Holdings 2015 Limited (a wholly-owned offshore subsidiary of the Company).

The Company signed the second Deed of Guarantee on 26 May 2016, pursuant to which, the Company provided joint and several guarantee for the issue of EUR 120 million 1.6% bonds due 2021 by Haitong International Finance Holdings 2015 Limited (a wholly-owned offshore subsidiary of the Company).

4. On 30 March 2016, the Company held the 15th meeting of the sixth session of the Board, considering and approving the Resolution on Providing Financing Guarantees for Subsidiaries. On 26 May 2016, the 2015 annual general meeting of the Company considered and approved the Resolution on Advising General Meeting to Approve Authorisation to the Board to Determine Provision of Guarantees for Subsidiaries of the Company, whereby the Company was approved to provide joint and several guarantees for its wholly-owned subsidiaries (including those with a gearing ratio of more than 70%) and controlling subsidiaries in respect of their issuance of onshore or offshore debt financing instruments (including but not limited to bonds, subordinated bonds, ultra short-term financing bills, short-term financing bills, medium-term notes, notes and establishment of note programmes) on a one-off or multiple issuance or multi-tranche issuance basis through public offerings or private placements, as well as domestic or overseas bank loans (including but not limited to bank credit, bank loans and syndicated loans), and the aggregate amount of the external guarantees and the individual amount of any guarantee provided by the Company shall not exceed 50% and 10% of the Company's audited net assets as at the end of the latest accounting period, respectively.

SECTION V SIGNIFICANT EVENTS

On 31 May 2016, the Company signed Guarantee Agreement and provided joint and several guarantee in respect of the syndicated loans of EUR 750 million for Haitong Investment Ireland Public Limited Company, its indirect wholly-owned offshore subsidiary ("this guarantee"). This new financing was made for the purpose of replacing the former Euro loan of EUR 750 million ("NB loan") provided by Novo Banco, S.A. ("NB") to Banco Espírito Santo de Investimento, S.A. (now renamed as Haitong Bank, S.A., "Haitong Bank"), the offshore subsidiary of the Company. The resolution determined that the principal amount of the guaranteed new financing shall not exceed EUR 800 million, with a guarantee term of no more than five years, and will repeal the former guarantee provided by the Company for NB loan.

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

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

5. On 13 April 2015, the Company held the third meeting of the sixth session of the Board, considering and approving the Resolution on Provision of Joint and Several Guarantee for Issuance of U.S. Dollar Bonds by Wholly-owned Offshore Subsidiary. The Company provided joint and several guarantee for the issue of USD670 million 3.5% bonds due 2020 by Haitong International Finance Holdings 2015 Limited (a wholly-owned offshore subsidiary of the Company).

SECTION V SIGNIFICANT EVENTS

6. In October 2013, the Company issued the first tranche of offshore bonds (USD900 million) and the issuer is Haitong International Finance Holdings Limited, an indirect wholly-owned subsidiary of the Company. In order to enhance the repayment security of the first tranche of offshore bonds and lower the coupon rate, according to the authorisation of the Company's first extraordinary general meeting in 2013, the authorised persons of the Company confirmed that guarantee would be provided for the first phase of offshore bonds by Bank of China Singapore Branch by way of opening standby letter of credit. Meanwhile, according to the resolution of the 21st meeting of the fifth session of the Board, the Company issued to Bank of China a letter of counter-guarantee regarding the standby letter of credit for the issuance of first tranche of offshore bonds. The amount of counter-guarantee including the principal, interest and other relevant expenses of the issued first tranche of offshore bonds. The guarantee is with joint and several liabilities and it ends on the date which is six months from the expiry of the standby letter of credit.
7. The Resolution on Providing Guarantee for the Net Assets of Shanghai Haitong Securities Asset Management Co., Ltd. was considered and approved at the 12th meeting of the fifth session of the Board, whereby the Company was approved by the Board to provide, at any time, guarantees of no more than RMB1,500 million for the net assets of HT Asset Management, to ensure that it maintains adequate net capital. On 9 June 2013, the CSRC Shanghai Branch issued the Letter on No-objection to the Issuance of Net Capital Guarantee Commitment Letter by Haitong Securities Co., Ltd. to Shanghai Haitong Securities Asset Management Co., Ltd. (Hu Zheng Jian Ji Gou Zi [2013] No.145), consenting the Company's provision of guarantee commitment of RMB800 million to HT Asset Management. The Company has deducted net capital of RMB800 million and correspondingly increased net capital of HT Asset Management by RMB800 million.

(III) Other Significant Contracts

✓ Not applicable

SECTION V SIGNIFICANT EVENTS

XVI. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

(I) Capital Increase of Subsidiaries

1. *Completion of Capital Increase in HFT Investment and its Wholly-owned Subsidiaries*

In accordance with the Resolution on Capital Increase for HFT Investment Management Co., Ltd. approved by the 19th meeting of the sixth session of the Board on 28 October 2016, the capital in the controlling subsidiary, HFT Investment, was increased by RMB150 million by turning retained earning into registered capital. After increasing the capital, HFT Investment had a registered capital of RMB300 million, which is still held by Haitong Securities as to 51% equity interest. The above capital increase was completed in June 2017.

In accordance with the Resolution on Capital Increase for Shanghai Fortune HFT Asset Management Co., Ltd. by HFT Investment approved by the 19th meeting of the sixth session of the Board on 28 October 2016, HFT Investment made an accrued capital contribution of RMB80 million in cash to its wholly-owned subsidiary Fortune HFT in 2017. As at 31 December 2017, Fortune HFT had a registered capital of RMB180 million, which is held by HFT Investment as to 100% equity interest.

2. *Completion of Capital Increase by Haitong Futures in its Subsidiary*

In accordance with the Resolution on Capital Increase for Haitong Futures Hong Kong Limited by Haitong Futures Co., Ltd. considered and approved at the 22nd meeting of the sixth session of the Board on 24 February 2017, the controlling subsidiary, Haitong Futures increased capital in its wholly-owned subsidiary, Haitong Futures Hong Kong Limited by HK\$40 million in May 2017, upon the completion of which, the registered capital of Haitong Futures Hong Kong Limited reached HK\$70 million.

In accordance with the Resolution on Increase in Registered Capital for Haitong Resources by Haitong Futures considered and approved at the 28th meeting of the sixth session of the Board on 12 January 2018, Haitong Futures plans to increase capital in its wholly-owned subsidiary, Haitong Resources by RMB300 million in 2018. After the capital increase, the registered capital of Haitong Futures will reach RMB500 million and its shareholding structure will remain the same.

SECTION V SIGNIFICANT EVENTS

3. *Completion of Capital Increase in Haitong Bank*

In accordance with the Resolution on Increasing the Capital in Haitong Bank considered and approved at the 23rd meeting of the sixth session of the Board on 29 March 2017, as at 31 August 2017, the Company increased capital in its wholly-owned subsidiary, Haitong Bank by EUR418.5 million in cash via its wholly-owned subsidiary, Haitong International Holdings; meanwhile, upon the completion of which, the registered capital of Haitong Bank increased to EUR845 million.

4. *Completion of Capital Increase by Haitong UT in its Subsidiary*

In May 2017, Haitong UniTrust Financial Leasing (Shanghai) held the seventh meeting of the first session of the Board, considering and approving the Resolution on Profit Distribution of Haitong UniTrust Financial Leasing (Shanghai) for 2016, pursuant to which, Haitong UniTrust Financial Leasing (Shanghai) is allowed to transfer its retained profits of RMB160 million at the end of 2016 in proportion to shareholders' respective capital contributions to its registered capital, upon the completion of which, the registered capital of Haitong UniTrust Financial Leasing (Shanghai) increased from RMB1.2 billion to RMB1.36 billion. The above capital increase was completed in August 2017.

(II) **Acquisition of, Incorporation of and Changes in Subsidiaries**

1. *Disposal of subsidiaries by Haitong Bank*

On 15 December 2017, Haitong Bank entered into a sale agreement with Haitong International (BVI) Limited, a wholly-owned subsidiary of Haitong International Securities. Pursuant to the agreement, Haitong International (BVI) Limited acquired the 100% stake in Haitong (UK) Limited, a UK subsidiary held by Haitong Bank, and in Haitong Securities USA LLC, a US subsidiary held by Haitong Bank. On 23 February 2018, Haitong International Securities and Haitong Bank successfully completed the delivery of equities of the acquired companies. Haitong (UK) Limited and Haitong Securities USA LLC officially became indirect wholly-owned subsidiaries of Haitong International Securities.

2. *Overseas acquisition by Haitong International Securities*

On 28 February 2017, Haitong International Securities had acquired Haitong International Financial Services (Singapore) Pte Limited (formerly G. K. Goh Financial Services (Singapore) Pte Limited) for SGD12.49 million (equivalent of HK\$67.98 million) in cash.

SECTION V SIGNIFICANT EVENTS

3. *Establishment of Subsidiaries by Haitong UT*

In April 2017, Haitong UT incorporated Haitong UT Leasing HK in Hong Kong as its wholly-owned subsidiary.

In June 2017, Haitong UT Capital incorporated Haitong UT Holdings in Hong Kong as its wholly-owned subsidiary.

In June 2017, Haitong UT established Haitong UT Leasing Irish Holding Corporation Limited via Haitong UT Leasing HK as its wholly-owned subsidiary in Ireland.

(III) Other Matters of Subsidiaries

1. *Listing of Haitong Futures on NEEQ*

The controlling subsidiary, Haitong Futures was approved on 29 December 2017 to be listed on the National Equities Exchange and Quotations and was officially listed on 6 March 2018.

2. *Launch of Listing of Haitong UT*

As considered and approved at the 23rd meeting of the sixth session of the Board of Haitong Securities in 29 March 2017 and the 2016 annual general meeting of Haitong Securities on 6 June 2017, Haitong UT planned to spin off and be listed separately, publicly issue foreign shares listed overseas (H shares) and be listed on the Main Board of the Hong Kong Stock Exchange. On 21 June 2017, Haitong UT obtained the notice of acceptance of application for administrative license issued by the CSRC. On 27 June 2017, Haitong UT submitted the listing application (Form A1) to the Hong Kong Stock Exchange through the joint sponsors to apply for the listing and approval of trading of Haitong UT H shares on the Main Board of the Hong Kong Stock Exchange (hereinafter referred to as "the listing application"). The listing application has been renewed on 28 February 2018 after expiring in six months from the date of the listing application. At present, the listing of Haitong UT H shares is still in progress.

According to the relevant regulations and guidelines of the CSRC and the Hong Kong Stock Exchange, in order to avoid horizontal competition, reduce related/connected transactions, and safeguard the interests of shareholders in the future, Haitong UT intends to directly or indirectly acquire or hold via its Hong Kong subsidiary the 25% equity interest in Haitong UniTrust Financial Leasing (Shanghai), Haitong UniFortune, and Gui'an UT respectively held by Haitong UT Capital. In accordance with the reorganization plan, in November 2017, Haitong UT Capital transferred its 25% equity interest in Haitong UniFortune held by it to Haitong UT Holdings, a wholly-owned subsidiary of Haitong UT Capital. In January 2018, Haitong UT Capital transferred its 25% equity interest in Haitong UniTrust Financial Leasing (Shanghai) to Haitong UT Holdings.

SECTION V SIGNIFICANT EVENTS

3. *Financing and Guarantees of Haitong UT Capital*

According to the structure arrangement of overseas bond issuance plan, Haitong UT Capital provides Unican Limited, a foreign issuer, with guarantees of USD220 million incurred in 2017 and an outstanding balance of USD284 million and RMB1 billion at the end of 2017.

Haitong UT Leasing HK organized overseas USD syndicated loans in August 2017 to support overseas aircraft leasing projects with a total amount of USD133 million.

4. *Bond Issuance of Haitong UT Capital and its Subsidiaries*

In April 2017, the domestic corporate credit rating of Haitong UT was raised to AAA.

Haitong UT Capital successfully issued overseas USD private placement bonds in May and September 2017 via Unican Limited, its special purpose vehicle, with a total amount of USD220 million.

In 2017, Haitong UT issued a total of five tranches of ultra short-term financing bonds with a total amount of RMB4.6 billion; two tranches of corporate bonds with a total amount of RMB2.5 billion; one tranche of short-term financing bonds with an amount of RMB1 billion; asset-backed securities and asset-backed notes with a total amount of RMB3.08 billion (including the subordinated); one tranche of private placement note (PPN) with an amount of RMB800 million.

5. *Appointment and Dismissal of Senior Management*

On 31 October 2017, the Portuguese Central Bank approved the appointment of the Chairman of the Board and Chief Executive Officer of Haitong Bank for the term 2017-2019, with Mr. Lin Yong serving as the Chairman of the Board and a non-executive director of Haitong Bank and Mr. Wu Min serving as the Chief Executive Officer and an executive director of Haitong Bank.

On 8 February 2018, Haitong International Holdings and its controlling subsidiary Haitong International Securities completed the appointment and dismissal of the Chairman of the Board, with Mr. Ji Yuguang retiring as the Chairman of Haitong International Holdings, the Chairman and a non-executive director of Haitong International Securities; Mr. Qu Qiuping serving as the Chairman of Haitong International Holdings, the Chairman and a non-executive director of Haitong International Securities.

SECTION V SIGNIFICANT EVENTS

XVII. ENVIRONMENTAL POLICIES AND PERFORMANCE AND ACTIVITIES FULFILLMENT OF SOCIAL RESPONSIBILITIES

(I) Poverty alleviation works of the listed company

2017 is the assault year for advancing the poverty alleviation, and also the important year for the country targeting and deepening poverty alleviation. The Company continues to follow the requirements of the Opinions of the China Securities Regulatory Commission on Serving the State's Strategy of Poverty Alleviation by the Functioning of Capital Market, and fully performs its social responsibilities and spares no efforts in the work of poverty alleviation via poverty relief through "one company to one county" pair-up and "one-county to one enterprise" pair-up, comprehensive poverty relief through "urban areas to rurals" pair-up, capital market industries supporting and poverty alleviation through social charity.

1. Plans for targeted poverty alleviation

In 2017, the keynote of poverty alleviation of the Company still focuses on the following four aspects. Firstly, through entering into framework agreements for poverty relief through "one company to one county" pair-up and "one-county to one enterprise" pair-up, the Company promotes the sustainable development and stable growth of regional economies of underprivileged counties, and helps the underprivileged to relieve from poverty, striving to assist the local governments in completing local economy transformation within three years and achieving the goal of poverty alleviation. Secondly, taking advantage of its professional financial services and financial resources, the Company focuses on financial poverty alleviation to promote stable developments of local economy by using multi-level financing functions of the capital markets. Thirdly, during the process of facilitating urban and rural integration in Shanghai, the Company continues to carry out a new round of comprehensive rural poverty relief works that lasts for five years, actualizes the plan for building beautiful villages and ecology in Chongming, and offers help to underprivileged villages through urban and rural Party organizations pair-up in the rural area of Shanghai to facilitate the development of local economy by taking various poverty alleviation measures; Fourthly, the Company carries out public welfare charitable activities and actively fulfill the social responsibility at the same time of creating economic benefits.

SECTION V SIGNIFICANT EVENTS

2. Summary of targeted poverty alleviation during the reporting period

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

In 2016, the Company entered into framework agreements for poverty relief through “one company to one county” pair-up with Lixin County of Bozhou City, Anhui Province, Ningdu County of Ganzhou City, Jiangxi Province, and Shucheng County of Lu’an City, Anhui Province. On this basis, the Heilongjiang Branch signed a memorandum of “one company to one county” services for poverty relief with Yanshou County of Harbin City, Heilongjiang Province in December 2017. The Company actively implemented targeted poverty alleviation strategy and deepened cooperation with the local governments in fields like funds, finance, talents and consumption, in an effort to build a long-term mechanism for poverty relief.

The Company will provide dedicated poverty alleviation funds of RMB1 million annually to local governments of Lixin County, Shucheng County and Ningdu County, targeting to support education, medical care and other livelihood support projects in underprivileged counties.

By leveraging the advantages of the comprehensive financial platform of Haitong Securities, the Company provided enterprises within the regions with all-round financial services such as financial planning, bond issuance, listing, M&A and reorganization, so as to expand financing channels for the pair-up regions and seek the patterns for sustainable growth of local economy. In September and November 2017, the Company entered into framework agreements for poverty relief through “one county to one enterprise” pair-up with Anhui Lixin County Chunlei Agricultural Development Co., Ltd. and Jiangxi Jiajun Baby Products Co., Ltd. to help the two companies to standardize corporate governance, optimize internal financial controls, and enhance financing capabilities and corporate image, so as to safeguard continuous business development. In March 2017, the Company held lectures relevant to finance and capital market in three cities of the two provinces. The business departments of the Company also carried out on-site investigations and promoted businesses including corporate bonds project of Lixin Chunlei Agricultural Development Co., Ltd., IPO plan of Lixin Rural Commercial Bank, debt financing plan for Tier 2 capital of Shucheng Rural Commercial Bank, and private placement of NEEQ-listed enterprise Jiangxi Yongtong Technology Co., Ltd. (831705.OC) in Ningdu. The Company successfully introduced the featured products in three cities of the two provinces via online sales at the consumption poverty alleviation platform and achieved poverty alleviation by industrial development. Meanwhile, the Company continued to promote communication with cadres in the underprivileged areas, and the working performance of cadres was highly affirmed by local governments and Party committees.

SECTION V SIGNIFICANT EVENTS

(2) *Leveraging on its own advantages, and introducing professional financial services of capital market to poverty alleviation*

The Company leveraged its advantages of securities and futures sectors and actively explored the inclusive financial functions and mechanism of the capital market to carry out targeted poverty alleviation in areas of investment banking, bond financing, futures operation, capital investment and financial leasing. It supported the underprivileged areas to broaden financing channels, lower financing costs and avert market risks with business policies tending to the economic support for underprivileged areas so as to bring in a multi-channel and multi-level situation for poverty alleviation.

In 2017, the investment banking projects completed by the Company in underprivileged areas included the IPO of Ningxia Jiaze New Energy Co., Ltd. with an aggregate proceeds raised of RMB244.08 million, the debt-to-equity swap and cash financing of NEEQ-listed Guizhou Sange Garden and Ecology Co., Ltd. with an aggregate proceeds raised of RMB30 million, NEEQ private placement of Mashangyou Technology Corp. Ltd, located in Hunan with an aggregate proceeds raised of RMB27 million, and NEEQ private placement of Jiangxi Yongtong Technology Co., Ltd. with an aggregate proceeds raised of RMB38.7 million.

Haitong Futures, a subsidiary of the Company, signed a memorandum of “one company to one county” pair-up for targeted poverty relief with Sui County of Henan Province and Yanchang County of Shaanxi Province successively, provided customized OTC option risk management services for Qiongzong County of Hainan Province, Menghai County of Yunnan Province, Sui County of Henan Province and Mingshui County of Heilongjiang Province, and protected agricultural products from price decline. The nominal principal and hedging amount of the project have reached RMB17.36 million. At the same time, Haitong Futures invested RMB900,000 in free aid to develop livestock and poultry breeding industry in Yanchang County of Shaanxi province. The industry poverty alleviation comes to villages and households, and promotes the poor households to increase their incomes steadily. It has helped 44 households or 112 persons to achieve goals of poverty elimination.

Haitong UT, a subsidiary of the Company, actively conducted its financial leasing business in underprivileged counties in various industries, including health care, education, industry, agriculture, construction, printing, forestry, energy, environmental protection, and directly through leasing, lease-back, factoring, entrusted loans and other methods, provided continuous equipment and funds support to enterprises of more than 100 underprivileged counties (areas), and invested a total amount of nearly RMB3 billion, making contribution for the promotion of poverty relief and green sustainable development in the underprivileged areas.

SECTION V SIGNIFICANT EVENTS

(3) *Helping the construction of Chongming ecological island and implementing poverty relief in the “doorway”*

The year of 2017 is the last year since the Company and Chongming District government entered into a framework agreement for comprehensive poverty relief. During the five years of comprehensive poverty relief, the Company accumulatively completed the provision of poverty alleviation funds of RMB25 million, continually focused on the key self-reliance projects, and assisted Chongming in building a modern agricultural demonstration area, promoting the “beautiful countryside” action plan, and helping Chongming to realize the plan for construction of international ecological island. In 2017, the Company continued conducting poverty relief in Fuan Village of Jianshe Town of Chongming District, Jingzhan Neighborhood Committee of Langxia Village of Jinshan District, and Guangming Village in Xuanqiao County of Pudong District in Shanghai through urban and rural Party organizations pair-up activities, visits the local underprivileged on a regular basis, holds various art and cultural activities for intelligence promotion, provides education on inclusive finance to the local investors and further promotes those pair-up activities.

(4) *Carrying out Charity and public welfare activities in many directions and actively fulfilling corporate social responsibilities*

While creating economic benefits, the Company is also committed to fulfilling corporate social responsibilities through donations to education, poverty alleviation and other public welfare activities. The public welfare brand of volunteer public welfare activities continuously implemented by the Youth League Committee of the Company – “In Haitong We Love” gradually took root in people’s minds. In May 2017, the Youth League Committee organized the youth members in Shanghai to carry out 5.20 Youth Welfare Hiking and Charity Sale Activities, targeting to help Chetouwan Primary School of Ningdu County to improve the students’ learning and living conditions. The Sichuan branch organized the Youth League members to actively participate in the “Goodness Walker” running activities of China Foundation for Poverty Alleviation, lively joining the public welfare. Xinjiang branch established a helping relationship with Mengaiti County for many years, a target poverty relief county of Xinjiang Securities Regulatory Bureau, subsidized the local Uygur College Students for several years, and in 2017 donated RMB200,000 for local infrastructure. Guangdong branch has actively participated in the large-scale public welfare activities held by the Guangdong Radio and Television Station, and disseminated the achievements of new rural construction through sports events. Shanxi branch has launched activities of offering love for sanitation workers, set up a love post station in the sales department, provided drinking water, microwave ovens and rest places for sanitation workers, and donated medicines and labor protection supplies. Gansu Wuwei Jianguo Street business department carried out donation-for-education activities continuously for 7 years, and Harbin Yiman Street business department carried out love-to-help-exam service continuously for 3 years. Public welfare activities have become a consensus among employees of the Company and have been blended into its culture.

SECTION V SIGNIFICANT EVENTS

3. Results of targeted poverty alleviation

Unit: RMB0'000

Indicators	Quantity and status
I. Summary	
Including: 1. capital input	935.98
2. Discount of materials	/
3. number of reduction in registered underprivileged population through help and support (person)	15
II. Itemized Input	
1. Poverty alleviation through industrial development	
Including: 1.1 types of projects of poverty alleviation through industrial development	<input checked="" type="checkbox"/> poverty alleviation through agriculture and forestry <input type="checkbox"/> poverty alleviation through tourism <input type="checkbox"/> poverty alleviation through e-commerce <input type="checkbox"/> poverty alleviation through asset income <input type="checkbox"/> poverty alleviation through science and technology <input type="checkbox"/> others
1.2 number of projects of poverty alleviation through industrial development	2
1.3 amount contributed to projects of poverty alleviation through industrial development	90
2. Poverty alleviation through ecological conservation	
Including: 2.1 project names	<input checked="" type="checkbox"/> development of ecological conservation and construction <input type="checkbox"/> establishment of compensation mechanism for ecological conservation <input type="checkbox"/> creation of public welfare jobs for ecological conservation <input type="checkbox"/> others
2.2 amount of contribution	500
3. Poverty alleviation through social participation	
Including: 3.1 amount contributed to poverty alleviation cooperation between the east and west	/
3.2 amount contributed to targeted poverty alleviation	300
3.3 poverty relief fund	15.98
4. other projects	
Including: 4.1 number of projects	2
4.2 amount of contribution	30

SECTION V SIGNIFICANT EVENTS

4. *Further plans for targeted poverty alleviation*

The year 2018 is the assault year for the country's poverty alleviation work, and it is also a decisive and sprint stage of building a moderately prosperous society in an all-round way. Haitong Securities will continue to take targeted poverty alleviation as its unshirkable social responsibility, and, with an aim to provide services in respect of the transition and development of underprivileged areas and pull the underprivileged out of poverty, leverage its own advantages to make achievements in the following four aspects:

Firstly, the Company continues to deepen the "one company to one county" pair-up action. The Company will continue to push ahead with the financial poverty alleviation projects in counterpart state-level underprivileged counties, and further cooperate with local governments on financial poverty alleviation, industrial poverty alleviation, consumption poverty alleviation, talent training and assistance fund utilization, etc.. In 2018, the Company will work with local government of pair-up counties to carry out personnel and cadres two-way post-holding exchanges, in order to cultivate, train and review cadres in the poverty alleviation. By "one-county to one enterprise" pair-up action, the Company focuses on local top enterprises with development prospects, help enterprises financing funds and talents, and provide a full range of support for pair-up counties to realize regional transformation and development; Secondly, the Company continues to deepen the financial and industry poverty alleviation, take advantage of the comprehensive financial platform of Haitong Securities, focus on capital market industry poverty alleviation, foster and expand the real economy, and accumulate potential for sustainable development after poverty reduction and elimination; Thirdly, the Company expands the pair-up result of Party organizations of urban and rural area of Shanghai in five aspects: focus on economic development, help the poor people, help to cultivate talents, help to improve the appearance of village and help culture construction, etc.; Fourthly, combining the 30th anniversary of establishment of Haitong Securities, the Company enhances its support for philanthropy. The Company will strive to expand the influence and profit of "In Haitong We Love" public welfare brand, invite the Shanghai Insurance Exchange to design personalized love insurance products to meet the needs of underprivileged areas, and carry out "In Haitong We Love • Passing of Love" rural teacher training project and "In Haitong We Love • Passing of Love" recycled computer classroom public welfare project, leading employees to continue to work together in poverty alleviation through social charity, to fully demonstrate the corporate social responsibility of Haitong Securities and the social responsibility of Haitong Securities employees as financial practitioners.

SECTION V SIGNIFICANT EVENTS

(II) Environmental policies and performance and activity fulfilling social responsibilities

In terms of the environmental policies and performance, the Company has complied with the “comply or explain” provisions specified in “Environmental, Social and Governance Reporting Guide” set out in Appendix 27 to the Hong Kong Listing Rules and actively assumed environmental responsibility. During the Reporting Period, the Company did not find any environmental-related violations. The Company continuously innovated green financial products and services, and provided financing for green enterprises and green projects through multi-channel and multi-category green financing instruments to contribute to the ecological civilization construction. The Company’s green bond issuance has always been at the forefront of the market with the total amount of green bond issuance reaching RMB38.5 billion in 2017, winning the second prize of Shanghai Financial Innovation Achievement Award for the results of its green bonds. Meanwhile, the Company has always adhered to green operation throughout the operation and management, focused on environmental protection in all aspects of operation, and taken a variety of measures to reduce the adverse effects of its operations on the environment and natural resources. In addition to advocating energy conservation and emission reduction, promoting paperless office and encouraging low-carbon transportation, the Company effectively reduced energy consumption through technical means. In 2017, the Company’s data center cut the use of peripherals including 2,967 physical servers and a large number of displays by promoting technological innovations such as virtualization and hyper-convergence in the transform of machine rooms, thus saving about 420,000 kWh of electricity throughout the year. Due to its outstanding performance in energy conservation and emission reduction, the Company won the “Excellent Energy Saving” and “Excellent Organization” awards for the 2017 Shanghai Special Competition for Energy Conservation and Emission Reduction of Key Energy Use Organizations in Financial System.

For details of specific environmental policies and performance of the Company, its compliance with such laws and regulations which may materially affect the Company, the important relationship between the Company and its employees, customers and suppliers, please refer to the 2017 Corporate Social Responsibility Report as published on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>), the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>), and the Company’s own website (<http://www.htsec.com>) on 27 March 2018.

(III) Environmental Information

1. *Environmental Performance of Companies and Their Subsidiaries Listed by Environment Protection Authority as Major Pollutant Discharge Entity*

✓ Not applicable

(IV) Other explanation

✓ Not applicable

XVIII. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, the Company did not issue any convertible bonds neither relevant matters thereof.

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES

(I) Table of changes in ordinary shares

1. *Table of changes in ordinary shares*

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

2. *Particulars about changes in ordinary shares*

There were no changes in the total number of ordinary shares or share capital structure of the Company during the Reporting Period. As at the end of the Reporting Period, there were 8,092,131,180 A Shares and 3,409,568,820 H Shares.

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

During the Reporting Period, there were no changes in the total number of ordinary shares of the Company.

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

During the Reporting Period, there were no changes in ordinary shares of the Company. There existed no other matters that either the Company considers necessary or the securities regulatory authorities requires to disclose.

(II) Changes in restricted shares

All shares of the Company are circulating shares, and there are no restricted shares of the Company.

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

II. SECURITIES ISSUANCE AND LISTING

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

Currency: RMB

Type of stocks and derivative securities	Date of issuance	Issue price or rate	Issue size	Date of listing	Amount approved for listing and trading	Date of termination of trading
Corporate bonds	25 November 2013	6.15%	RMB2.35 billion	16 December 2013	RMB2.35 billion	22 November 2018
Corporate bonds	25 November 2013	6.18%	RMB2.39 billion	16 December 2013	RMB2.39 billion	23 November 2023
Corporate bonds	14 July 2014	5.45%	RMB4.55 billion	13 August 2014	RMB4.55 billion	11 July 2019
Corporate bonds	14 July 2014	5.85%	RMB0.8 billion	13 August 2014	RMB0.8 billion	11 July 2024
Corporate bonds	11 August 2017	4.63%	RMB5 billion	24 August 2017	RMB5 billion	7 August 2020
Corporate bonds	11 August 2017	4.80%	RMB1 billion	24 August 2017	RMB1 billion	9 August 2022
Corporate bonds	22 September 2017	4.99%	RMB5.5 billion	10 October 2017	RMB5.5 billion	20 September 2027
Corporate bonds	25 October 2017	4.77%	RMB0.5 billion	7 November 2017	RMB0.5 billion	22 October 2020
Subordinated bonds	8 April 2015	5.50%	RMB15 billion	11 May 2015	RMB15 billion	04 April 2018 06 April 2020*
Subordinated bonds	12 June 2015	5.38%	RMB5 billion	26 August 2015	RMB5 billion	08 June 2018 10 June 2020*
Subordinated bonds	17 November 2016	3.30%	RMB4 billion	30 November 2016	RMB4 billion	14 November 2019
Subordinated bonds	17 November 2016	3.40%	RMB2 billion	30 November 2016	RMB2 billion	15 November 2021
Subordinated bonds	16 March 2017	4.80%	RMB4.5 billion	30 March 2017	RMB4.5 billion	12 March 2020
Non-public corporate bonds	18 May 2016	3.60%	RMB15 billion	15 June 2016	RMB15 billion	15 May 2019 14 May 2020*
Non-public corporate bonds	18 May 2016	3.80%	RMB5 billion	15 June 2016	RMB5 billion	13 May 2021

* In the event that the issuer determines to exercise its option of redemption, the date of termination of trading will be determined according to the stipulation in the prospectus.

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

1. *Corporate bonds*

The Proposal Regarding the Issuance of Corporate Bonds and Proposal Regarding the General Mandate to Issue Corporate Bonds were considered and approved at the 16th meeting of the fifth session of the Board on 26 March 2013 and the 2012 annual general meeting of the Company held on 27 May 2013, respectively, pursuant to which the chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of corporate bonds at their sole discretion. Upon approval by the CSRC with the Zheng Jian Xu Ke [2013] No.1220 issued on 25 September 2013, the Company was permitted to issue corporate bonds with a total nominal value of no more than RMB23.0 billion to the public. The corporate bonds were issued in tranches, and the issue time, size and other terms of each tranche were determined by the Company upon negotiation based on factors such as market conditions. The issue of the first tranche with a size of RMB12.0 billion was completed on 27 November 2013, of which the issue size of the corporate bonds with a term of 3 years, 5 years and 10 years were RMB7.26 billion, RMB2.35 billion and RMB2.39 billion, respectively. The issue of the second tranche with a size of RMB11.0 billion was completed on 16 July 2014, of which the issue size of the corporate bonds with a term of 3 years, 5 years and 10 years were RMB5.65 billion, RMB4.55 billion and RMB0.8 billion, respectively. In particular, 13 Haitong 01, a corporate bond with a term of 3 years issued in the first tranche, had been expired and delisted on 25 November 2016, and relevant principal and interests had been paid. Please refer to the announcement on the Shanghai Stock Exchange for details. In particular, 13 Haitong 04, a corporate bond with a term of 3 years issued in the second tranche, has been expired and delisted on 14 July 2017, and relevant principal and interests had been paid. Please refer to the announcement on the Shanghai Stock Exchange for details.

According to the Proposal in relation to the General Mandate to Issue Domestic Debt Financing Instruments considered and approved at the 15th meeting of the sixth session of the Board on 30 March 2016 and the 2015 annual general meeting of the Company on 26 May 2016, the Company applied to Shanghai Stock Exchange and the CSRC China Securities Regulatory Commission and obtained the Reply on Approving the Public Offering of Corporate Bonds to Qualified Investors by Haitong Securities Co., Ltd. (Zheng Jian Xu Ke [2017] No. 408). The reply permitted us to publicly issue corporate bonds with nominal value of no more than RMB12 billion to qualified investors. Based on the above proposal and regulatory approval, during the Reporting Period, the Company issued three tranches of corporate bonds. The issue of first tranche of RMB6.0 billion was completed on 11 August 2017, of which the issue size of corporate bonds with a term of three years and five years were RMB5.0 billion and RMB1.0 billion, respectively. The issue of the second tranche with a size of RMB5.5 billion and a term of 10 years was completed on 22 September 2017. The issue of the third tranche with a size of RMB0.5 billion and a term of three years was completed on 25 October 2017.

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

2. *Subordinated bonds*

On 19 December 2014, the Proposal regarding the General Mandate to Issue Other Onshore Debt Financing Instruments was considered and approved at the 32nd meeting (extraordinary meeting) of the fifth session of the Board, which was subsequently considered and approved at the first extraordinary general meeting of 2015 and the 2015 first A shareholders'/H shareholders' class meetings of the Company held on 9 February 2015, respectively, pursuant to which the Company was approved to issue other onshore debt financing instruments (excluding short-term financing bills of securities companies and corporate bonds) on a one-off or multiple issuances or multi tranche issuances domestically through public or non-public offerings, for a total value of not exceeding 200% of the net assets of the Company as at the end of the preceding period, and the chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of other onshore debt financing instruments at their sole discretion. As at the end of the Reporting Period, the Company has issued two tranches of subordinated bonds with an aggregate size of RMB35.0 billion. The first tranche with an issue size of RMB15.0 billion was issued on 8 April 2015, the term of which was five years and the issuer was entitled to redeem the bonds at the end of the third year. The issuance of the second tranche of RMB20.0 billion was completed on 12 June 2015, of which, the first type of the bonds was of RMB15.0 billion and with a maturity of three years and issuer's right of redemption was at the end of the second year; the second type of the bonds was of RMB5.0 billion and with a maturity of five years and issuer's right of redemption was at the end of the third year. Specifically, regarding to the bonds issued in the first tranche, 15 Haitong C2 with a maturity of three years, the redemption right was exercised on 12 June 2017 with principal and interest fully settled and was delisted. For details, please refer to the announcement on Shanghai Stock Exchange.

The proposal in relation to the General Mandate to Issue Domestic Debt Financing Instruments was considered and approved at the 15th meeting of the sixth session of the Board on 30 March 2016 and at the 2015 annual general meeting of the Company on 26 May 2016, respectively. It was resolved that the Company may issue debt financing instruments including but not limited to short-term financing bills of securities companies, corporate bonds, short-term corporate bonds, asset backed securities (notes), income receipts, subordinated bonds, subordinated debts, and other domestic debt financing instruments which may be issued by the Company as approved by or filed with the CSRC, the Securities Association of China and other relevant authorities in accordance with the relevant requirements (excluding the inter-bank lending and the repurchase transactions for daily liquidity operations), on a one-off or multiple issuances or multi-tranche issuances domestically through public or non-public offerings, with the total amount not exceeding 200% of the net asset value of the Company as at the end of the preceding period. The chairman and general manager of the Company were delegated by the Board under the authorization of the general meeting to be the authorized persons for issuing onshore debt financing instruments, and to jointly or individually deal with all matters regarding the issuance of onshore debt financing instruments on behalf of the Company according to the resolutions passed at the general meeting and the authorization granted by the Board. With the approval of "Shang Zheng Han [2016] No.2080" issued by the Shanghai Stock Exchange on 4 November 2016, the Company was approved to issue non-public subordinated bonds with an aggregate nominal value no more than RMB30.0 billion within PRC. The Company issued subordinated bonds totaling RMB6.0 billion in November 2016, of which, the first type of the bonds was of RMB4.0 billion and with a maturity of three years; the second type of the bonds was of RMB2.0 billion and with a maturity of five years. The Company issued non-public subordinated bonds of RMB4.5 billion with a maturity of three years in March 2017.

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

3. *Non-public issuance of corporate bonds*

In accordance with the Corporate Bond Issuance and Trading Administrative Measures (Zheng Jian Hui Ling Order No.113) and No Objection Letter to Haitong Securities Co., Ltd. on the Listing and Transfer of Non-public Issuance of Corporate Bonds issued by SSE (Shang Zheng Han [2016] No.886), the Company issued non-public corporate bonds with a size of RMB20.0 billion in May 2016, of which, the first type of the bonds was of RMB15.0 billion and with a maturity of four years and issuer's right of redemption was at the end of the third year; the second type was of 5.0 billion and with a maturity of five years.

4. *Description on the issuance of securities of subsidiaries during the Reporting Period*

Due to the variations in the existing bonds of different subsidiaries during the Reporting Period, no disclosure is made respectively.

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

✓ Not applicable

(III) **Information on existing internal employee shares**

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

(IV) **Repurchase, sale or redemption of securities of the Company**

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

III. INFORMATION ON SHAREHOLDERS AND DE FACTO CONTROLLERS

(I) **Total number of shareholders**

Total number of shareholders of ordinary shares (accounts) as at the end of the Reporting Period	245,638 (of which 245,485 were holders of A Shares and 153 were holders of H Shares)
--	--

Total number of shareholders of ordinary shares (accounts) as at the end of the previous month prior to the date of disclosure of the annual report	249,401 (of which 249,249 were holders of A Shares and 152 were holders of H Shares)
---	--

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

(II) Table of shareholdings of the top ten shareholders and the top ten shareholders of circulating shares (or shareholders not subject to trading moratorium) as at the end of the Reporting Period

Unit: Share

Name of shareholders (Full name)	Shareholdings of the top ten shareholders						
	Changes in the number of shares during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage	Number of shares held subject to trading moratorium	Particulars of shares pledged or frozen		Nature of shareholders
					Particulars of shares	Number of shares	
Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited")	480,799	3,408,867,562	29.64%	0	Nil	0	Foreign legal person
China Securities Finance Corporation Limited	205,516,388	563,548,259	4.90%	0	Nil	0	Others
Bright Food (Group) Co., Ltd.	0	402,150,000	3.50%	0	Nil	0	State-owned legal person
Shanghai Haiyan Investment Management Company Limited	0	400,709,623	3.48%	0	Nil	0	State-owned legal person
Shenergy Group Company Limited	0	322,162,086	2.80%	0	Nil	0	State-owned legal person
Shanghai Electric (Group) Corporation	-53,787,900	265,298,893	2.31%	0	Nil	0	State
Shanghai Jiushi (Group) Co., Ltd.	0	235,247,280	2.05%	0	Nil	0	State-owned legal person
Shanghai Bailian Group Co., Ltd.	0	214,471,652	1.86%	0	Nil	0	Domestic non state-owned legal person
Qilu Securities Asset Management – ICBC – Qilu Bichen No. 10 Collective Asset Management Scheme	0	193,402,041	1.68%	0	Nil	0	Others
Yunnan International Trust Co., Ltd. – Ju Li No. 15 Single Fund Trust	126,959,368	187,702,412	1.63%	0	Nil	0	Others

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of circulating shares held not subject to trading moratorium	Type and number of shares	
		Type	Number
Hong Kong Securities Clearing Company Nominees Limited (“HKSCC Nominees Limited”)	3,408,867,562	Foreign shares listed overseas	3,408,867,562
China Securities Finance Corporation Limited	563,548,259	RMB denominated ordinary shares	563,548,259
Bright Food (Group) Co., Ltd.	402,150,000	RMB denominated ordinary shares	402,150,000
Shanghai Haiyan Investment Management Company Limited	400,709,623	RMB denominated ordinary shares	400,709,623
Shenergy Group Company Limited	322,162,086	RMB denominated ordinary shares	322,162,086
Shanghai Electric (Group) Corporation	265,298,893	RMB denominated ordinary shares	265,298,893
Shanghai Jiushi (Group) Co., Ltd.	235,247,280	RMB denominated ordinary shares	235,247,280
Shanghai Bailian Group Co., Ltd.	214,471,652	RMB denominated ordinary shares	214,471,652
Qilu Securities Asset Management – ICBC – Qilu Bichen No. 10 Collective Asset Management Scheme	193,402,041	RMB denominated ordinary shares	193,402,041
Yunnan International Trust Co., Ltd. – Ju Li No. 15 Single Fund Trust	187,702,412	RMB denominated ordinary shares	187,702,412

Notes:

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

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

As at 31 December 2017, so far as the Directors, having made all reasonable enquiries, are aware, the following parties (other than the Directors, Supervisors and chief executive of the Company) had an interest or short position in the shares or underlying shares, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to section 336 of the SFO:

No.	Name of substantial shareholders	Type of share	Nature of interests	Number of shares held (shares)	Percentage of total issued shares of the Company (%)	Percentage of total issued A Shares/ H Shares of the Company (%)	Long position (Note 2)/ short position (Note 3)/ lending pool
1.	Maunakai Capital Partners (Hong Kong) Limited	H Share	Investment manager	272,590,000	2.36	7.99	Long position
2.	BSA Strategic Fund I	H Share	Beneficial owners	272,590,000	2.36	7.99	Long position
3.	Insight Capital Management (Hong Kong) Limited	H Share	Investment manager	223,415,200	1.94	6.55	Long position
4.	Insight Phoenix Fund	H Share	Investment manager	223,415,200	1.94	6.55	Long position
5.	Shi Jing	H Share	Founder of discretionary trust	268,000,000	2.33	7.86	Long position
6.	Wickhams Cay Trust Company Limited	H Share	Trustee (Note 1)	268,000,000	2.33	7.86	Long position
7.	Abhaya Limited	H Share	Interests in controlled corporation (Note 1)	268,000,000	2.33	7.86	Long position
8.	Vogel Holding Group Limited	H Share	Beneficial owners (Note 1)	248,000,000	2.15	7.27	Long position
9.	BlackRock, Inc.	H Share	Interests in controlled corporation	175,859,928	1.52	5.15	Long position
		H Share	Interests in controlled corporation	3,785,600	0.03	0.11	Short position

Note 1: Vogel Holding Group Limited holds 248,000,000 H shares of the Company. Abhaya Limited holds 248,000,000 and 20,000,000 H shares of the Company through its wholly-owned Vogel Holding Group Limited and Union Sky Holding Group Limited, respectively, so it holds 268,000,000 H shares of the Company in aggregate. Abhaya Limited is wholly-owned by Wickhams Cay Trust Company Limited; Shi Yuzhu is a director of Abhaya Limited, and directors of Abhaya Limited are accustomed to act in accordance with Shi Yuzhu's instructions. Therefore, Wickhams Cay Trust Company Limited and Shi Yuzhu are deemed to have interest in 268,000,000 H shares held by Abhaya Limited.

Note 2: A shareholder has a "long position" if such shareholder has an interest in shares, including interests through holding, selling or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to purchase the underlying shares; (ii) such shareholder is under an obligation to purchase the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares increases; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares increases.

Note 3: A shareholder has a "short position" if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, sells or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to subscribe the underlying shares; (ii) such shareholder is under an obligation to deliver the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares declines; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares declines.

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

Save as disclosed above, as at 31 December 2017, the Company was not aware of any other person (other than the Directors, Supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register pursuant to Section 336 of the SFO.

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

As at 31 December 2017, according to the information obtained by the Company and so far as the Directors are aware, the following Director(s), Supervisor(s) or chief executive of the Company had the interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporation (as defined under the Part XV of the SFO), which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange:

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

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

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

SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

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

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

IV. CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

(I) CONTROLLING SHAREHOLDERS

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

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

(II) DE FACTO CONTROLLERS

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

The Company had no de facto controller.

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

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

VI. EXPLANATION OF RESTRICTION OF SHAREHOLDING REDUCTION

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

SECTION VII PREFERENCE SHARES

During the Reporting Period, the Company did not have any matters relating to preference shares.

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

I. CHANGES IN SHAREHOLDING AND REMUNERATIONS

(I) Changes in shareholding and remunerations of current and resigned Directors, Supervisors and Senior Management during the Reporting Period

Name	Position (Note)	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number of shares held at the beginning of the year (Unit: ten thousand shares)	Number of shares held at the end of the year (Unit: ten thousand shares)	Changes in the number of shares during the year (Unit: ten thousand shares)	Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period (RMB ten thousand)	Whether received remuneration from related party of the Company or not
Zhou Jie	Chairman, Executive Director, Secretary of CPC Party Committee	Male	50	28 October 2016	30 December 2017	0	0	0	-	93.25	No
Qu Qiuping	Executive Director, General Manager, deputy secretary of CPC Party Committee	Male	56	30 December 2014	30 December 2017	0	0	0	-	164.55	No
Yu Liping	Non-executive Director	Female	55	8 June 2015	30 December 2017	0	0	0	-	0	Yes
Chen Bin	Non-executive Director	Male	36	30 December 2014	30 December 2017	0	0	0	-	0	No
Wu Yuezhou	Non-executive Director	Male	58	18 August 2017	30 December 2017	0	0	0	-	0	No
Xu Jianguo	Non-executive Director	Male	53	18 October 2016	30 December 2017	0	0	0	-	0	No
Zhang Xinmei	Non-executive Director	Female	58	30 December 2014	30 December 2017	0	0	0	-	0	Yes
Shen Tiedong	Non-executive Director	Male	48	8 June 2015	30 December 2017	0	0	0	-	0	Yes
Liu Cheeming	Independent non-executive Director	Male	66	30 December 2014	30 December 2017	100	100	0	-	30	Yes
Xiao Suining	Independent non-executive Director	Male	69	30 December 2014	30 December 2017	0	0	0	-	31	Yes
Feng Lun	Independent non-executive Director	Male	58	30 December 2014	30 December 2017	0	0	0	-	21	Yes
Zhang Ming	Independent non-executive Director	Male	59	12 June 2016	30 December 2017	0	0	0	-	28	Yes
Lam Lee G.	Independent non-executive Director	Male	58	6 April 2017	30 December 2017	0	0	0	-	6	Yes
Wang Hongxiang (resigned)	Non-executive Director	Male	61	30 December 2014	12 May 2017	0	0	0	-	13.6	No
Li Guangrong (resigned)	Independent non-executive Director	Male	54	30 December 2014	6 April 2016	0	0	0	-	15	Yes
Wu Hongwei	Vice chairman of the Supervisory Committee, secretary of the discipline inspection commission, deputy secretary of CPC Party Committee	Male	51	15 December 2017	30 December 2017	0	0	0	-	12.97	No
Li Lin	Supervisor	Male	55	30 December 2014	30 December 2017	0	0	0	-	0	Yes
Zheng Xiaoyun	Supervisor	Female	55	21 September 2015	30 December 2017	0	0	0	-	0	Yes

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

Name	Position (Note)	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number of shares held at the beginning of the year (Unit: ten thousand shares)	Number of shares held at the end of the year (Unit: ten thousand shares)	Changes in the number of shares during the year (Unit: ten thousand shares)	Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period (RMB ten thousand)	Whether received remuneration from related party of the Company or not
Cheng Feng	Supervisor	Male	46	30 December 2014	30 December 2017	0	0	0	-	0	Yes
Chen Huifeng	Supervisor	Male	51	30 December 2014	30 December 2017	0	0	0	-	0	No
Feng Huang	Supervisor	Male	46	30 December 2014	30 December 2017	0	0	0	-	0	Yes
Song Chunfeng	Supervisor	Male	48	11 July 2016	30 December 2017	0	0	0	-	0	Yes
Wang Meijuan	Employee Representative Supervisor	Female	53	30 December 2014	30 December 2017	0	0	0	-	314.39	No
Hu Hairong	Employee Representative Supervisor	Female	46	30 December 2014	30 December 2017	0	0	0	-	313.25	No
Song Shihao	Employee Representative Supervisor	Male	48	8 July 2015	30 December 2017	0	0	0	-	242.25	No
Rui Zhengxian	Employee Representative Supervisor	Male	55	11 December 2017	30 December 2017	0	0	0	-	13.14	No
Shou Weiguang (resigned)	Chairman of the Supervisory Committee	Male	54	21 July 2015	12 April 2017	0	0	0	-	0	No
Yang Qingzhong (resigned)	Vice chairman of the Supervisory Committee, secretary of the discipline inspection commission, deputy secretary of CPC Party Committee	Male	61	30 December 2014	13 December 2017	0	0	0	-	122.92	No
Qiu Xiaping (resigned)	Employee Representative Supervisor	Female	57	30 December 2014	11 December 2017	0	0	0	-	0	No
Ren Peng	Deputy General Manager	Male	55	30 December 2014	30 December 2017	0	0	0	-	147.76	No
Hiroki Miyazato	Deputy General Manager	Male	52	30 December 2014	30 December 2017	0	0	0	-	8.29	No
Pei Changjiang	Deputy General Manager	Male	52	30 December 2014	30 December 2017	0	0	0	-	145.92	No
Wang Jianye	General Compliance Officer	Male	57	30 December 2014	30 December 2017	0	0	0	-	483.88	No
Li Chuqian	Chief Financial Officer	Male	60	30 December 2014	30 December 2017	0	0	0	-	483.88	No
Mao Yuxing	Chief Information Officer	Male	46	19 September 2016	30 December 2017	0	0	0	-	452.88	No
Chen Chunqian	Assistant to General Manager	Male	54	30 December 2014	30 December 2017	0	0	0	-	500.01	No
Li Jianguo	Assistant to General Manager	Male	54	30 December 2014	30 December 2017	0	0	0	-	-	No
Zhang Xiangyang	Assistant to General Manager	Male	52	30 December 2014	30 December 2017	0	0	0	-	-	No
Lin Yong	Assistant to General Manager	Male	48	30 December 2014	30 December 2017	0	0	0	-	-	No

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

Name	Position (Note)	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number of shares held at the beginning of the year (Unit: ten thousand shares)	Number of shares held at the end of the year (Unit: ten thousand shares)	Changes in the number of shares during the year (Unit: ten thousand shares)	Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period (RMB ten thousand)	Whether remuneration received from related party of the Company or not
Jiang Chengjun	Assistant to General Manager, Secretary to the Board	Male	49	29 March 2017	30 December 2017	0	0	0	-	547.42	No
Du Hongbo	Chief Risk Control Executive	Male	54	12 May 2017	30 December 2017	0	0	0	-	246.88	No
Pan Guangtao	Assistant to General Manager	Male	46	12 May 2017	30 December 2017	0	0	0	-	358.48	No
Ji Yuguang (resigned)	Deputy General Manager	Male	60	30 December 2014	25 January 2018	0	0	0	-	147.76	No
Huang Zhenghong (resigned)	Secretary to the Board	Male	42	12 March 2015	29 March 2017	0	0	0	-	196.38	No
Total	/	/	/	/	/	100	100	0	/	5,140.86	/

Note:

- The terms of the sixth session of the Board and the Supervisory Committee of the Company expired on 30 December 2017. As the nomination of candidates for the directors and the supervisors of the seventh session of the Board and the Supervisory Committee has not been completed, and the election process of the Board and the Supervisory Committee is still in preparation, in order to ensure the continuity of the work of the Board and the Supervisory Committee, the election of the sixth session of the Board and the Supervisory Committee will be postponed, and the terms of each special committee of the Board and senior management will be extended accordingly. Before the completion of the election process, all the members of the sixth session of the Board, the Supervisory Committee and the senior management of the Company will continue to perform their obligations and duties in accordance with relevant laws, regulations and the Articles of Association of the Company. Please refer to the announcement of the Company dated 28 December 2017 for more details.
- Among the total remunerations before tax, remunerations income received by the Directors, Supervisors and senior management during their terms of office, and the social insurance, housing fund and enterprise annuity paid by the Company were included. Among which, those in foreign currencies shall be calculated based on the central party rate of Renminbi for inter-bank Foreign Exchange Market published by China Foreign Exchange Trading Center on 31 December 2017.
- The total remunerations mentioned above did not include remunerations senior management received from subsidiaries, among whom, Mr. Hiroki Miyazato, deputy general manager of the Company, received remunerations of RMB5,088.9 thousand from Haitong Bank, apart from the remunerations he received from the Company; Mr. Lin Yong, assistant to General Manager of the Company, received his remunerations from Haitong International Securities and the amount was RMB12,949.0 thousand; Mr. Li Jianguo, assistant to General Manager of the Company, received his remunerations from Haitong International Holdings and the amount was RMB4,118.4 thousand; Mr. Zhang Xiangyang, assistant to General Manager of the Company, received his remunerations from Haitong Capital and the amount was RMB11,322.8 thousand.
- The total amount of remunerations before tax received by the Directors, Supervisors and senior management from the Company during the Reporting Period mentioned above included performance bonus attributable to the year of 2016.
- The statistical standard of the remunerations received by the Directors, Supervisors and senior management from the Company during the Reporting Period was based on their terms of office as Directors, Supervisors and senior management. The remunerations received during their terms of office not as Directors, Supervisors and senior management were excluded.
- For detailed information about the remuneration of the Directors, Supervisors and senior management, please refer to Note 62 to the Consolidated Financial Statements of this Report.

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

Name	Major Work Experience
Zhou Jie (周杰)	<p>Executive Directors (2)</p> <p>Born in 1967, a holder of a master's degree of engineering. Mr. Zhou has served as the Chairman of the Board since 28 October 2016, the secretary of CPC party committee of the Company since July 2016. From February 1992 to June 1996, Mr. Zhou served in the investment banking department of Shanghai International Securities Co., Ltd. (上海萬國證券有限公司). From June 1996 to December 2001, Mr. Zhou served, successively, as the manager of investment department, the vice general manager, and the chairman of the board of directors and the general manager of Shanghai SIIC Asset Operation Co., Ltd. (上海上實資產經營有限公司). From December 2001 to April 2003, he was the director and general manager of SIIC Medical Science and Technology (Group) Limited. (上海實業醫藥科技(集團)有限公司). From January 2002 to July 2016, he acted, successively, as the executive director and the vice executive officer, the executive director and the executive vice president, the vice chairman and chief executive officer of Shanghai Industrial Holdings Limited (上海實業控股有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0363). From August 2004 to July 2016, he served, successively, as the chief planning officer, the executive director and vice president, the executive director and executive vice president, and the president and secretary of CPC party committee of SIIC Shanghai (Holding) Co., Ltd. (上海上實(集團)有限公司). From March 2010 to May 2012, he was the chairman of the supervisory committee of Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 601607; listed on the Hong Kong Stock Exchange under the stock code of 02607), of which he was the chairman of the board of directors and the secretary of CPC party committee from June 2012 to June 2013 and from May 2016 to July 2016. Mr. Zhou has been a non-executive director of Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司, listed on the New York Stock Exchange under the ticker symbol of "SMI"; listed on the Hong Kong Stock Exchange under the stock code of 00981) since January 2009. Mr. Zhou has been a supervisor, the chairman of the remuneration committee of Shanghai Stock Exchange, the president of Shanghai Securities Association (上海證券同業公會), the vice president of the council of the Listed Companies Association of Shanghai (上海上市公司協會), and the representative of members of National Internet Finance Association of China (中國互聯網金融協會) since 2016, the vice chairman of Shanghai Financial Association (上海金融業聯合會), the president of Shanghai Association of Financial Planners (上海金融理財師協會), and an arbitrator of Shanghai Arbitration Commission (上海仲裁委員會) since 2017.</p>

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

Name	Major Work Experience
Qu Qiuping (瞿秋平)	<p>Born in 1961, a holder of a master's degree in economics, a senior accountant. Mr. Qu has served as an executive Director, the general manager and the deputy secretary of CPC party committee of the Company since 25 June 2014. He was the accountant, deputy section chief, Youth League secretary of Nanshi District Office of the People's Bank of China Shanghai (中國人民銀行上海市南市區辦事處) from September 1980 to December 1983; the deputy section chief and section chief of Nanshi District Office of the Industrial and Commercial Bank of China Shanghai (中國工商銀行上海市南市區辦事處) from January 1984 to September 1992; the vice president of Nanshi Sub-branch of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行南市支行) from September 1992 to November 1995; the deputy head of the accounting and cashier department of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行) from November 1995 to December 1996 (He was in charge of the party and political work of Shanghai Jiading Sub-branch of the Industrial and Commercial Bank of China (中國工商銀行上海市嘉定支行) from December 1995 to December 1996); the president and deputy secretary of CPC party committee of Shanghai Baoshan Sub-branch of the Industrial and Commercial Bank of China (中國工商銀行上海市寶山支行) from December 1996 to March 1999; the head of the accounting and clearing department of the Industrial and Commercial Bank of China Shanghai Branch from March 1999 to December 1999; the assistant to the president of the Industrial and Commercial Bank of China Shanghai Branch from December 1999 to June 2000; the vice president of the Industrial and Commercial Bank of China Shanghai Branch from June 2000 to February 2005 (he was a visiting scholar at University of Pennsylvania from September 2002 to September 2003); the vice president of the Industrial and Commercial Bank of China Jiangsu Branch (中國工商銀行江蘇省分行) from February 2005 to September 2008; the deputy secretary of CPC party committee and the vice chairman of the board of directors of Bank of Shanghai (上海銀行) from September 2008 to November 2008; the president, deputy secretary of CPC party committee and the vice chairman of the board of directors of Bank of Shanghai from November 2008 to December 2010; the head of the Work Coordination Department of the Dispatched Offices of the CSRC (中國證監會派出機構工作協調部) from December 2010 to August 2012; and the head of the Department of Unlisted Public Company Supervision of the CSRC (中國證監會非上市公眾公司監管部) from August 2012 to April 2014. Mr. Qu has been the director of Finance Service Committee of the China Association for Public Companies (中國上市公司協會金融服務專業委員會) since November 2015, the member of Expert Committee of the Finance Research Centre of Counselors' Office of the State Council(國務院參事室金融研究中心) since October 2016, the director of the Shenzhen Stock Exchange since April 2017, and vice president of the Securities Association of China (中國證券業協會) since January 2018. Mr. Qu has been the chairman of the board of directors of Haitong International Holdings Limited (海通國際控股有限公司), the chairman of the board of directors, a non-executive director, the chairman of the nomination committee and the strategic development committee, and a member of remuneration committee of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Exchange under the stock code of 00665) since February 2018.</p>

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

Name	Major Work Experience
Yu Liping (余莉萍)	<p>Non-executive Directors (6)</p> <p>Born in 1962, a holder of an MBA degree, a senior accountant, has served as a non-executive Director of the Company since 8 June 2015 and as the vice president of Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司) since August 2010. Ms. Yu served in several positions in Shanghai Light Industry Bureau (上海輕工業局) and Shanghai Light Industry Company (Group) (上海輕工控股(集團)公司) from August 1996 to April 2006, including deputy chief of finance department, manager of finance department and vice chief accountant. She was a member of CPC party committee, vice president and chief financial officer of Shanghai Yimin Food Plant No.1 (Group) Co., Ltd. (上海益民食品一廠(集團)有限公司) from August 2006 to August 2008. Ms. Yu served as the chief financial officer of Shanghai Guangdian (Group) Co., Ltd. (上海廣電(集團)有限公司) from August 2008 to August 2010. Ms. Yu served as the chairman of supervisory committee of Shanghai Yimin Food Group (上海益民食品集團) from March 2015 to May 2017. Ms. Yu has been the chairman of the supervisory committee of the NGS Supermarket (Group) Co., Ltd. (農工商超市(集團)有限公司) since September 2013; the legal representative of Shanghai Light Industry Company (Group) since March 2014; and the chairman of supervisory committee of Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司) since September 2014.</p>
Chen Bin (陳斌)	<p>Born in 1981, a master postgraduate, has served as a non-executive Director of the Company since 30 December 2014. He has been the deputy general manager of Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司) since February 2017. Mr. Chen served as an officer of the investment management department of Shanghai Tobacco (Group) Company (上海煙草(集團)公司) from July 2003 to January 2010. He served, successively, as assistant to section chief, section chief and assistant to head of investment management department of Shanghai Tobacco (Group) Company (上海煙草(集團)公司, now renamed as Shanghai Tobacco Group Co, Ltd., 上海煙草集團有限責任公司) during January 2010 to October 2016. He was the assistant to general manager of Shanghai Haiyan Investment Management Company Limited from April 2014 to February 2017. Mr. Chen has been a non-executive director of Orient Securities Company Limited (東方證券股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600958 ; listed on the Hong Kong Stock Exchange under the stock code of 03958) since October 2014.</p>

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

Name	Major Work Experience
Wu Yuezhou (鄔躍舟)	Born in 1959, a holder of a college degree from Shanghai University of Finance and Economics, an accountant and has served as a non-executive Director of the Company since 18 August 2017. Mr. Wu has been the deputy chief economist and manager of asset management department of Shenergy Group Company Limited (申能(集團)有限公司) since October 2016. Mr. Wu was the deputy chief officer and chief officer of finance department of Shanghai Machine Tool Works Ltd. (上海機床廠) from August 1980 to December 1994, manager of financial planning department of Shanghai Bund Housing Replacement Co., Ltd. (上海外灘房屋置換有限公司) from January 1995 to July 1999, manager of financial planning department in replacement headquarters of Shanghai Jiushi Corporation (上海久事公司) from August 1999 to February 2000. Mr. Wu has served in various positions in Shenergy Group Company Limited since March 2000, including manager of investment management department, secretary to supervisory committee and director of audit office (concurrently the chairman of the board and the acting general manager of Shanghai Shenergy Science and Technology Development Co., Ltd. (上海申能科技發展公司) from January 2003 to June 2005).
Xu Jianguo (許建國)	Born in 1964, a holder of EMPACC degree, a senior accountant, has served as a non-executive Director of the Company since 18 October 2016. He has been the head of the financial budget department of Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) since April 2013. Mr. Xu worked in the finance department and audit office of Shanghai Cable Works (上海電纜廠) from July 1984 to December 2001, inspection office of Shanghai Electric (Group) Corporation from January 2002 to March 2004 and the assets and finance department of Shanghai Electric Assets Management Company Limited (上海電氣資產管理有限公司) from April 2004 to September 2005, respectively. He served as an assistant to the financial manager of the first management department of Shanghai Electric Assets Management Company Limited from September 2005 to August 2008 during which period he also served as the chief financial officer of Shanghai Li Da Heavy Industrial Manufacturing Limited (上海力達重工製造有限公司) from March 2006 to August 2008. From August 2008 to December 2009, Mr. Xu was the deputy head of the assets and finance department of Shanghai Electric Assets Management Company Limited. From December 2009 to April 2013, he served as the deputy head of the financial budget department of Shanghai Electric (Group) Corporation. Mr. Xu served as a director of Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600619) from June 2016 to December 2017, a director of Shanghai Electric Group Finance Co., Ltd. (上海電氣集團財務有限責任公司) since April 2013. Mr. Xu has been a director of Shanghai Life Insurance Company Ltd. (上海人壽保險股份有限公司) since March 2015, the chairman of the supervisory committee of Shanghai Prime Machinery Co., Ltd. (上海集優機械股份有限公司) (listed on the Hong Kong Stock Exchange under the stock code of 02345) since May 2016. Mr. Xu also served as a director of Shanghai Micro Electronics Equipment Co., Ltd. (上海微電子裝備股份有限公司) since June 2016, and a non-executive director of Orient Securities Company Limited (東方證券股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600958; listed on the Hong Kong Stock Exchange under the stock code of 03958) since November 2016. Mr. Xu has been the chairman of the supervisory committee of Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600619) since December 2017.

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

Name	Major Work Experience
Zhang Xinmei (張新玫)	Born in 1959, a holder of an MBA degree, a senior accountant, has served as a non-executive Director of the Company since 30 December 2014. She has been the vice president of Shanghai Jiushi (Group) Co., Ltd (上海久事(集團)有限公司) since December 2014. Ms. Zhang served as clerk, deputy section chief, section chief and deputy head of finance department of the Shanghai Bureau of Metallurgical Industry (上海冶金工業局) from March 1981 to October 1995; deputy head, head of finance department, and deputy chief accountant of Shanghai Metallurgical Holding Group Corporation (上海冶金控股集團公司) during October 1995 to November 1998; manager of financial management headquarters and manager of capital management headquarters of Shanghai Jiushi Corporation (上海久事公司) (currently known as "Shanghai Jiushi (Group) Co., Ltd.") during November 1998 to November 2004; chief accountant of Shanghai Jiushi Corporation from November 2004 to December 2014. Ms. Zhang was a director of Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司, now known as Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司)) (listed on the Shenzhen Stock Exchange under the stock code of 000166) from 2012 to September 2016, the director of Shenergy Co., Ltd. (申能股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600642) from June 2015 to May 2016. Ms. Zhang has been a supervisor of China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司) since October 2015, and a supervisor of China Pacific Life Insurance Co., Ltd. (中國太平洋人壽保險股份有限公司) since November 2015.
Shen Tiedong (沈鐵冬)	Born in 1969, a holder of doctor's degree in economics, has served as a non-executive Director of the Company since 8 June 2015. He has been the vice chairman of the board of directors, vice secretary-general of the CPC party committee and general manager of Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司) since December 2014. Mr. Shen was the chairman in the university department of the Youth League Liaoning Committee (共青團遼寧省委員會) from June 1992 to June 1993, deputy head of the trust department of Liaoning International Trust and Investment Company (遼寧省國際信託投資公司) from July 1993 to September 1999, head of the capital operation department of Liaoning International Cooperation (Group) Co., Ltd. (遼寧省國際合作(集團)公司) from September 1999 to January 2002, and vice general manager of Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司) from February 2002 to December 2009. Mr. Shen served in various positions in the Panjin municipal government in Liaoning Province from December 2009 to December 2014, including vice mayor, member of the standing committee of CPC party committee and secretary-general.

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

Name	Major Work Experience
Liu Cheeming (劉志敏)	<p>Independent non-executive Directors (5)</p> <p>Born in 1951, a holder of bachelor's degree in business administration, has served as an independent non-executive Director of the Company since 28 November 2011. He has been the managing director of Platinum Holdings Limited (百德能控股有限公司) since 1996. Mr. Liu has been an independent non-executive director of Starhub Ltd. (星和有限公司) (a company listed on the Singapore Exchange under the stock code of CC3) since August 2004, an independent non-executive director of OUE Hospitality REIT Management Pte. Ltd. (華聯酒店房地產信託管理有限公司) and OUE Hospitality Trust Management Pte. Ltd. (華聯酒店信託管理有限公司) (which are the REIT Manager and Trustee-Manager, respectively, of OUE Hospitality Trust (a company listed on the Singapore Exchange under the stock code of SK7)) since June 2013, an independent supervisor of the supervisory committee of Dalian Wanda Commercial Properties Co., Ltd. (大連萬達商業地產股份有限公司) since May 2015, an independent non-executive director of STT GDC Pte. Ltd. since October 2015. He has over 40 years' experience in the Asian financial service field. Mr. Liu's expertise in finance and strategy-making, as well as his working experience in large enterprises worldwide and his relationship with them are valuable assets of the Board of the Company. He is a member of the Takeovers Appeal Committee under the Securities and Futures Commission of Hong Kong (香港證券及期貨事務監察委員會的收購上訴委員會) and vice chairman of the Takeovers and Mergers Panel (收購及合併委員會).</p>

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

Name	Major Work Experience
Xiao Suining (肖遂寧)	<p>Born in 1948, has served as an independent non-executive Director of the Company since 27 May 2013. Mr. Xiao was the electrician and team leader at the third subsidiary of Yunnan Hydropower Construction Company (雲南水利發電建設公司) from July 1968 to September 1971; the chief of mechanical and electrical drainage, electrical technician and engineer at the Panshuidong Industrial Zone at Hydropower Construction Company (水利發電建設公司噴水洞工區) from September 1971 to January 1975; the electrical designer, technician and engineer at Yunnan Electrical Power Design Institute (雲南電力設計院) from January 1975 to February 1984; the deputy director of the powerhouse of the power plant of Electric Power Design Institute (電力設計院) from February 1984 to August 1985; the general manager at Kunming Yinding Industrial Co., Ltd. (昆明銀鼎實業公司) from January 1985 to August 1987; the acting general economist and the acting general accountant at Yunnan Electrical Power Design Institute from August 1987 to September 1990; the director, the assistant to general manager of personnel education division, the assistant to the president of Bank of Communications Chongqing Branch (交通銀行重慶分行) and the general manager of a real estate development company, vice president and member of the CPC party committee of Bank of Communications Chongqing Branch from September 1990 to November 1995; the president and the secretary of the CPC party committee of Bank of Communications Zhuhai Branch from November 1995 to August 1999; the president and the secretary to the Party Committee of Bank of Communications Shenzhen Branch from August 1999 to February 2007; the president and the chairman of the board of Shenzhen Development Bank (深圳發展銀行) from February 2007 to November 2012; the chairman of the board of directors and the general manager of Tahone Investment Management (Ningbo) Co., Ltd. (太合匯投資管理(寧波)有限公司) from July 2017 to January 2018. Mr. Xiao has been an independent director of Beijing SPC Environment Protection Tech Co., Ltd. (北京清新環境技術股份有限公司, listed on the Shenzhen Stock Exchange under the stock code of 002573) since July 2013 and an independent director of Zhongrun Resources Investment Incorporated Company (中潤資源投資股份有限公司) (listed on the Shenzhen Stock Exchange under the stock code of 000506) since August 2013. Mr. Xiao has been an independent non-executive director of Nan Hai Corporation Limited (南海控股有限公司) (listed on the Hong Kong Stock Exchange under the stock code of 0680) since April 2016, and an independent non-executive director of China Digital Information Co., Ltd. (中國數碼信息有限公司) (listed on the Hong Kong Stock Exchange under the stock code of 0250) since April 2016.</p>

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

Name	Major Work Experience
Feng Lun (馮倫)	Born in 1959, a holder of doctor's degree in law and master's degree in public policy (MPP), has served as an independent non-executive Director of the Company since 30 December 2014. He has been the chairman of Vantone Holdings Co., Ltd. (萬通投資控股股份有限公司) since January 1993. Mr. Feng was a lecturer and researcher at the Party School of the Central Committee of CPC (中共中央黨校), the Propaganda Department of the Central Committee of CPC (中共中央宣傳部) and National Committee for Economic System Reform (國家體改委) from September 1984 to December 1990. Mr. Feng founded Hainan Agricultural High Technology Investment and Development Corporation (海南農業高技術投資聯合開發總公司) from January 1991 to December 1991 and Hainan Vantone Enterprise (Group) Co., Ltd. (海南萬通企業(集團)有限公司) from January 1992 to December 1992, and served as the chairman of its board of directors.
Zhang Ming (張鳴)	Born in 1958, a holder of doctor's degree in economics, a professor and senior researcher, has served as an independent non-executive Director of the Company since 12 June 2016. He currently lectures at the School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院). Mr. Zhang has lectured in Shanghai University of Finance and Economics since graduation from this university in 1983 and has been the director of the teaching office, the deputy director and then the deputy head of the School of Accountancy. He is now a professor and doctoral supervisor in the same university. Mr. Zhang was an independent non-executive Director of the Company from 8 May 2008 to 30 December 2014. He was an independent non-executive director of Shanghai Shenda Co., Ltd. (上海申達股份有限公司, listed on Shanghai Stock Exchange under the stock code of 600626) from May 2010 to May 2016. He has been an independent non-executive director of Shang Gong Group Co., Ltd. (上工申貝(集團)股份有限公司, listed on Shanghai Stock Exchange under the stock code of 600843) since May 2009, an independent non-executive director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司, listed on Shanghai Stock Exchange under the stock code of 600639) since June 2011, an independent non-executive director of Wuxi Commercial Mansion Grand Orient Co., Ltd. (無錫商業大廈大東方股份有限公司, listed on Shanghai Stock Exchange under the stock code of 600327) since May 2015, and an independent director of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司, listed on Shanghai Stock Exchange under the stock code of 600000) since May 2016.

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

Name	Major Work Experience
Lam Lee G. (林家禮)	<p>Born in 1959, a holder of doctor's degree in philosophy, a Solicitor (formerly a barrister-at-law) of the High Court of Hong Kong, a senior Fellow of the Hong Kong Institute of Arbitrators and the Hong Kong Institute of Directors, an Honorary Fellow of CPA Australia (CPPA), a senior Fellow of CMA Australia, and an Honorary Fellow of the University of Hong Kong School of Professional and Continuing Education, has served as an independent non-executive Director of the Company since 6 April 2017, Non-Executive Chairman – Hong Kong and ASEAN Region and Chief Adviser of Macquarie Infrastructure and Real Assets Asia since May 2015. Mr. Lam has international experience in multinational corporation management, management consulting, corporate governance, investment banking, direct investment and fund management across the telecommunications/media/technology (TMT), consumer/healthcare, infrastructure/real estates, energy/resources and financial services sectors. He currently serves as independent or non-executive directors of several listed companies and investment funds in the Asia Pacific region. From 1981 to 2001, Mr. Lam held various senior management positions, including chief executive officer, chief operating officer and general manager, at leading enterprises in the telecommunications/media/high-tech, retail/consumer, infrastructure/real estates and financial services sectors, including Bell Canada (from June 1981 to December 1988), Ernst & Young (from April 1989 to November 1989), Hong Kong Telecommunications Ltd. (from November 1989 to August 1993), New World Telephone Group Limited (from January 1995 to December 1996) and Singapore Technologies Telemedia Pte Ltd which operates under Temasek Holdings, a Singapore sovereign wealth fund (from April 2000 to September 2001). Mr. Lam served as the vice president and partner, head of Greater China and head of telecommunications/media/high-tech – Asia at the management consulting firm A.T. Kearney, Inc. from July 1993 to January 1995; partner and Head – Global Chinese at Heidrick & Struggles International, Inc. from December 1998 to October 1999; vice chairman and chief operating officer of the investment banking division of BOC International Holdings Limited from September 2001 to April 2003; and chairman of the board, director and chief executive officer of CP Group/Chia Tai Group's various Asian subsidiaries from January 2003 to September 2006. From May 2007 to March 2015, he was Chairman-Indochina, Myanmar and Thailand (and formerly Chairman-Hong Kong) of Macquarie Capital (Hong Kong) Limited. Mr. Lam was formerly non-executive directors of ZH International Holdings Limited (formerly known as Heng Fai Enterprises Limited, stock code: 185), DTXS Silk Road Investment Holdings Company Limited (formerly known as UDL Holdings Limited, stock code: 620) and Roma Group Limited (Stock Code: 8072) (with a term of office from 13 September 2017 to 11 December 2017); also independent non-executive directors of Ruifeng Petroleum Chemical Holdings Limited (stock code: 8096), Mingyuan Medicare Development Company Limited (stock code: 233) and Imagi International Holdings Limited (stock code: 585), the shares of all of which are listed on the Hong Kong Stock Exchange.</p>

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

Name

Major Work Experience

Mr. Lam currently serves as independent non-executive directors of CSI Properties Limited (stock code: 497), Mei Ah Entertainment Group Limited (stock code: 391), Vongroup Limited (stock code: 318), Glorious Sun Enterprises Limited (stock code: 393), Elife Holdings Limited (Stock Code: 223, formerly known as Sino Resources Group Limited), Xi'an Haitiantian Holdings Co., Ltd. (Stock Code: 8227, formerly known as Xi'an Haitian Antenna Holdings Co., Ltd.), Hua Long Jin Kong Company Limited (Stock Code: 1682, formerly known as Highlight China lot International Limited), Huarong Investment Stock Corporation Limited (Stock Code: 2277) and Kidsland International Holdings Limited (Stock Code: 2122); non-executive directors of Sunwah Kingsway Capital Holdings Limited (stock code: 188), China LNG Group Limited (stock code: 931), China Shandong Hi-Speed Financial Group Limited (Stock Code: 412), National Arts Entertainment and Culture Group Limited (Stock Code: 8228) and Tianda Pharmaceuticals Limited (stock code: 455), the shares of all of which are listed on the Hong Kong Stock Exchange. He currently serves as independent non-executive directors of Asia-Pacific Strategic Investments Limited (stock code: 5RA), Rowsley Limited (stock code: A50), Top Global Limited (stock code: 519) and Singapore eDevelopment Limited (stock code: 40V), the shares of all of which are listed on the Singapore Exchange. Mr. Lam is also an independent director of Sunwah International Limited (stock code: SWH), whose shares are listed on the Toronto Stock Exchange; an independent non-executive director of Vietnam Equity Holding (stock code: 3MS), the shares of which are listed on the Stuttgart Stock Exchange; and an independent non-executive director of AustChina Holdings Limited (stock code: AUH, formerly known as Coalbank Limited), whose shares are listed on the Australian Stock Exchange, and a non-executive director of Adamas Finance Asia Limited (stock code: ADAM), whose shares are listed on the London Stock Exchange.

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

Name	Major Work Experience
Resigned Directors (2)	
Wang Hongxiang (王鴻祥)	Born in 1956, a holder of an MBA degree, a senior accountant, has served as a non-executive Director of the Company from 16 May 2011 to 12 May 2017. He was the deputy chief accountant of Shenergy Group Company Limited (申能(集團)有限公司) from December 1998 to September 2016. Mr. Wang has over 20 years of working experience in accounting and finance since he graduated from university. Mr. Wang was an associate professor at Shanghai University of Finance and Economics for years.
Li Guangrong (李光榮)	Born in 1963, a holder of doctor's degree in economics, has served as an independent non-executive Director of the Company from 30 December 2014 to 6 April 2017. He has been chairman of Sinosafe General Insurance Co., Ltd. (華安財產保險股份有限公司) since December 2004. Mr. Li served as the section chief of the Finance and Trade Office of Hunan Provincial People's Government (湖南省人民政府財貿辦) from July 1987 to April 1993; manager of the securities department of Bank of China Hunan Branch (中國銀行湖南省分行) from April 1993 to October 1995; general manager of business development department of China Everbright Bank Guangzhou Branch (光大銀行廣州分行) from October 1995 to December 1997. Mr. Li has been the chairman of Tehua Investment Holding Co., Ltd. (特華投資控股有限公司) since January 1998,; and executive director, chairman of the advisory committee to the board of directors of China Minsheng Investment Group (中國民生投資股份有限公司) since June 2014.

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

Name	Major Work Experience
Wu Hongwei (吳紅偉)	<p>Employee representative Supervisors (5)</p> <p>Born in 1966, graduated from the Department of Mechanical Engineering of Shanghai Jiao Tong University with a bachelor's degree in engineering in 1990, and obtained a master's degree in business administration of School of Management of Fudan University in 2000 and a title of researcher. Mr. Wu has been serving as a Supervisor of the Company since 13 December 2017, the vice chairman of the Supervisory Committee of the Company since 15 December 2017, the deputy secretary of CPC party committee and secretary of discipline inspection committee of the Company since September 2017. From July 1990 to June 2001, Mr. Wu served the following positions in Unit 801 of Shanghai Aerospace Administration (上海航天局801所): a designer, project leader, assistant to the director, deputy director of the Research Plan Office (later renamed as the "Science and Technology Office") from July 1990 to January 1997, during which period, he also served as the secretary of the Science and Technology Committee from August 1995 to January 1997; the director of the Personnel Security Department and the secretary of the Science and Technology Committee from January 1997 to March 1997; the director of the Administration Department and the director of Personnel Security Department from March 1997 to October 2000; the deputy secretary of CPC party committee, the secretary of discipline inspection committee, and the director of the Administration Department from October 2000 to June 2001, during which period, he also served as the chairman of the Labor Union from March 2001 to June 2001. From June 2001 to April 2004, Mr. Wu served as the secretary of CPC party committee of Shanghai Xinguang Telecom Factory (上海新光電訊廠). From April 2004 to January 2015, Mr. Wu served the following positions in the Social Work Committee of CPC Shanghai Municipal Committee (中共上海市社會工作委員會); the deputy director of the Human Resources Department (in charge of operations) from April 2004 to January 2006; the director of the Human Resources Department from January 2006 to June 2011; and the Secretary-General from June 2011 to January 2015. Mr. Wu was appointed as the secretary of the discipline inspection committee of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (the "Shanghai SASAC") from January 2015 to April 2015, the leader of Dispatched Discipline Inspection Office of the Discipline Inspection Committee of CPC Shanghai Municipal Committee to the CPC party committee of the Shanghai SASAC (中共上海市紀律檢查委員會駐上海市國資委黨委紀檢組), and a member of CPC party committee of the Shanghai SASAC from April 2015 to September 2017.</p>

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

Name	Major Work Experience
Wang Meijuan (王美娟)	Born in 1964, a holder of a master's degree in economics, a senior accountant, has served as a Supervisor of the Company since 30 December 2014. She has been the general manager of the audit department of the Company since March 2011. Ms. Wang was a lecturer of the Management and Engineering Department of Shanghai Institute of Building Materials (上海建材學院管理工程系) from January 1988 to October 1994, and a senior manager of Da Hua Certified Public Accountants (大華會計師事務所) from May 1992 to May 2001. She served in various positions in the Company, including manager of audit department from May 2001 to August 2001, assistant to general manager of audit department from August 2001 to March 2002, deputy general manager of audit department from March 2002 to May 2006, deputy general manager of risk control headquarters (with benefits as a general manager) from May 2006 to September 2006, and chief auditor and deputy general manager of risk control headquarters (with benefits as a general manager) from September 2006 to March 2011. Ms. Wang served as the chairman of the supervisory committee of Haitong Futures Corporation (海通期貨有限公司) from July 2005 to March 2016, and has been the chairman of the supervisory committee of Haitong Futures Co., Ltd. (海通期貨股份有限公司) since March 2016, a director of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) since October 2008, a supervisor of Jilin Modern Agricultural and Emerging Markets Investment Fund Limited (吉林省現代農業和新興產業投資基金有限公司) since December 2010, a director of Xi'an Aerospace New Energy Industry Investment Fund Co., Ltd. (西安航天新能源產業基金投資有限公司) since January 2011, a supervisor of Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司) since April 2012, a non-executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listing on the Hong Kong Exchange under the stock code of 00665) since September 2012, a supervisor of Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司) from January 2014 to May 2017, the chairman of the supervisory committee of Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司) since May 2017, a supervisor of Haitong UniTrust Finance & Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司) since April 2014, a supervisor of Haitong UniFortune International Leasing Co., Ltd. (海通恒運國際租賃有限公司) and a supervisor of Shanghai UniCircle Investment & Development Corporation (上海泛圓投資發展有限公司) since May 2014.
Hu Hairong (胡海蓉)	Born in 1971, a holder of a bachelor's degree in law, an economist, has served as a Supervisor of the Company since 30 December 2014. She has been the director of the department of Party-Masses relationship and deputy general manager of the human resources department of the Company since March 2013. Ms. Hu worked in various departments of the Company, including the Shanghai Baoshan business department from July 1993 to June 1995, Shanghai business headquarters from June 1995 to May 1996, the office of general manager from May 1996 to March 1998, as deputy section chief of foreign affairs section of the office of general manager from March 1998 to March 2001, as deputy section chief and section chief of assignment section of the human resources development department from March 2001 to May 2005, assistant to general manager of the human resources development department from May 2005 to December 2010, and deputy general manager of the human resources development department from December 2010 to February 2013. Ms. Hu has been a director of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) since June 2012 and the vice chairman of the trade union of the Company since December 2014.

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

Name	Major Work Experience
Song Shihao (宋世浩)	<p>Born in 1969, a holder of an MBA degree, has served as a Supervisor of the Company since 8 July 2015. He has been the general manager of the Securities Finance Department of the Company since March 2017. Mr. Song served as a teacher at the Baotou Steel Company Fifth Middle School (包頭鋼鐵公司第五中學) from July 1992 to June 1996. He served at the Baotou Trust Investment Company (包頭信託投資公司) from June 1996 to March 2000, serving as the manager of the securities business department and manager of the trust business department. He worked at the Tianjin Business Department of the Company from March 2000 to March 2006, serving as an assistant to the general manager and deputy general manager. He served as the deputy general manager of the Lanzhou Business Headquarter of the Company from March 2006 to August 2009 (in charge of operations). He worked at the Gansu Branch of the Company from August 2009 to February 2012, serving as general manager. He worked at the Operating Centre of the Company from September 2011 to January 2013, serving as deputy general manager. He was deputy general manager (in charge of operations) of the Compliance and Risk Management Headquarter of the Company from January 2013 to April 2016, and the general manager of the Compliance and Risk Management Headquarter of the Company from April 2016 to March 2017. He was a director of Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司) from April 2013 to October 2016. Mr. Song has been a supervisor of Shanghai Haitong Securities Asset Management Company Ltd. since October 2016.</p>
Rui Zhengxian (芮政先)	<p>Born in 1962, graduated from the Department of Mathematics of East China Normal University with a bachelor's degree in science in 1984 and obtained a title of assistant researcher. Mr. Rui has been serving as a Supervisor of the Company since 11 December 2017, the deputy general manager of the Human Resources Department of the Company since November 2014, and a member of the Discipline Inspection Committee of the Company since November 2015. Mr. Rui served as an instructor in the Training Department of Shanghai Garrison Training Group (上海警備區教導大隊訓練處) from July 1984 to February 1988, and conducted research work in the Institute of Demographic and Development Studies, Shanghai Academy of Social Sciences (上海社會科學院人口與發展研究所) from February 1988 to March 1996. Mr. Rui served in the following various positions in the Company from March 1996: a commissioner in the Supervisory Office from March 1996 to March 2001; the deputy section chief of the Second Section of the Supervisory Office from March 2001 to June 2002; the section chief of Labour and Capital Section of the Human Resources and Development Department from June 2002 to March 2007; the section chief of Cadre Section of the Human Resources and Development Department from March 2007 to March 2008; an assistant to general manager of the Human Resources and Development Department and the section chief of Cadre Section of this department from March 2008 to April 2014; and an assistant to general manager of the Human Resources Department from April 2014 to November 2014. Mr. Rui has also been a supervisor of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) since October 2008, and a director of Haitong Innovative Capital Management Co., Ltd. (海通創新資本管理有限公司) since November 2016.</p>

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

Name	Major Work Experience
Li Lin (李林)	<p>Shareholder Representative Supervisors (6)</p> <p>Born in 1962, a holder of an MBA degree, has served as a Supervisor of the Company since 27 May 2013. He has been the chief financial officer of Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司) since April 2014. From July 1984 to December 1996, Mr. Li was the lecturer of School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院). He served as the deputy chief accountant of Shanghai Huaihai Commercial (Group) Co., Ltd. (上海淮海商業(集團)有限公司) from January 1997 to March 2001, the deputy financial controller of Shanghai NGS (Group) Corporation (上海農工商(集團)總公司) from April 2001 to June 2001, the director, the vice president and the chief financial officer of Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) from July 2001 to August 2007, and the director, the vice president and the chief financial officer of NGS Real Estate (Group) Co., Ltd. (農工商房地產(集團)股份有限公司) from September 2007 to July 2010. He served as the general manager of finance department in Bright Food (Group) Co., Ltd (光明食品(集團)有限公司) from August 2010 to April 2014. Mr. Li has been the chairman of Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司) since December 2014, a director of Sailing Capital Management Co., Ltd. (賽領資本管理有限公司) since October 2014 and a director of Sailing Capital International Fund (Shanghai) (賽領國際投資基金(上海)有限公司) since October 2014.</p>
Zheng Xiaoyun (鄭小芸)	<p>Born in 1962, a holder of a master's degree in accounting, a senior accountant, has served as a Supervisor of the Company since 21 September 2015. She has been the chief financial officer of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司) (listing on the Shanghai Stock Exchange under the stock code of 600827, the "Shanghai Bailian") since June 2015, and the secretary to the board of Shanghai Bailian since August 2015 and a director of Shanghai Bailian since June 2017. Ms. Zheng held various positions at Shanghai Forever Co., Ltd. (上海永久股份有限公司) where she successively served as the accountant, the assistant to manager and the deputy manager of the finance department from September 1982 to July 1999. From July 1999 to March 2002, she served as the chief financial officer of Shanghai Advertising and Decorating Company (上海廣告裝潢公司). She served as the deputy manager of the finance department of Shanghai Yibai (Group) Co., Ltd. (上海一百(集團)有限公司) from March 2002 to December 2002, served as the chief financial officer of Shanghai Quanfang Investment Management Co., Ltd. (上海全方投資管理有限公司) from December 2002 to October 2003, served as the chief financial officer of general operation department of Shanghai Bailian Group Co., Ltd. from October 2003 to July 2005 and served as the chief financial officer of Shanghai Bailian Investment Management Co., Ltd. (上海百聯投資管理有限公司) from July 2005 to August 2010. She served as the chief financial officer of Shanghai Bailian Group Assets Management Co., Ltd. (上海百聯集團資產經營管理有限公司) from August 2010 to July 2014, served as the chief financial officer of Shanghai Bailian E-Commerce Co., Ltd. (上海百聯電子商務有限公司) from July 2014 to June 2015, and served as a director of Shanghai Baihong Trading Co., Ltd. (上海百紅商業貿易有限公司) and the chairman of the board of directors of Hualian Group Assets Custody Co., Ltd. (華聯集團資產託管有限公司) from March 2014 to July 2014.</p>

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

Name	Major Work Experience
Cheng Feng (程峰)	<p>Born in 1971, a holder of an MBA degree, has served as a Supervisor of the Company since 30 December 2014. He has been the member of CPC party committee and the deputy general manager of Shanghai United Media Group (上海報業集團) since October 2013. From July 1994 to March 1995, Mr. Cheng worked in the student group in the School of Management of Shanghai Jiao Tong University; from March 1995 to May 1996, he worked in the Department of Foreign Economic of Shanghai Foreign Economic and Trade Commission (上海市對外經濟貿易委員會外經處); from May 1996 to February 2001, he worked in the Youth League of Shanghai Foreign Economic and Trade Commission holding such positions as the deputy secretary and the secretary; from February 2001 to June 2002, he served as vice president (on job training) of Shanghai Electrical Machinery Group Import & Export Co., Ltd (上海機械進出口(集團)有限公司); from June 2002 to April 2005, he served as deputy director and director at the Office of Technology Import and Technological Development and Technology Trade Office of Shanghai Foreign Economic and Trade Commission (上海對外經濟貿易委員會技術進口處和科技發展與技術貿易處); from April 2005 to October 2013, he worked in Shanghai International Group (上海國際集團) holding such positions as director of the general office, head of the information centre, general manager of the administration headquarter (concurrently the chairman and general manager of Shanghai Guo Sheng Pawn Co., Ltd. (上海國盛典當有限公司)), the deputy secretary of CPC party committee, general manager, secretary of CPC party committee and chairman of Shanghai International Group Financial Services Co., Ltd. (上海國際集團金融服務有限公司), the secretary of CPC party committee and chairman of Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司). Mr. Cheng has been the chairman of Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司) since March 2014, the director of Shanghai Xinhua Publishing Group Limited (上海新華發行集團有限公司) and Shanghai XinHua Media Co., Ltd. (上海新華傳媒股份有限公司, listing on the Shanghai Stock Exchange under the stock code of 600825) since May 2014, the Chairman of Shanghai Shangbao Chuanyue Properties Development Co., Ltd. (上海上報傳悅置業發展有限公司) since August 2014, the executive director of Shanghai Wenhui and Xinmin Industry Co., Ltd. (上海文匯新民實業有限公司) since September 2014, the chairman of the supervisory committee of Jiemian (Shanghai) Network Technology Co., Ltd. (界面(上海)網絡科技有限公司) since September 2014, the director of Shanghai Oriental Pearl Real Estate Co., Ltd. (上海東方明珠房地產有限公司) since October 2014, the Chairman of Shanghai Real Power Capital Co., Ltd. (上海瑞力投資基金管理有限公司), the executive director of Shanghai Shenwen Industry Co., Ltd. (上海申聞實業有限公司) since May 2015, the Chairman of Shanghai East Ticket Co.,Ltd. (上海東方票務有限公司), the executive director of Shanghai HR Market News Co., Ltd. (上海人才市場報社有限公司) and Shanghai Realty Times Co., Ltd. (上海房地產時報社有限公司) since February 2016, the chairman of Shanghai Culture Assets and Equity Exchange (上海文化產權交易所股份有限公司) and the executive director of Shanghai Jiefang Media Information Development Co., Ltd. (上海解放傳媒信息發展有限公司) since April 2016, the vice chairman of Shanghai Dongfang Press Co., Ltd. (上海東方報業有限公司) from July 2016 to March 2017, the chairman of the board of directors of Shanghai Dongfang Press Co., Ltd. since March 2017, a director of China Universal Asset Management Company Limited (匯添富基金管理有限公司) since November 2016, and executive vice chairman of the board of directors of Shanghai XinHua Media Co., Ltd. since September 2017. Mr. Cheng was the general manager of Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司) from March 2014 to December 2015, the executive director of Shanghai Shendi Asset Management Co., Ltd. (上海申地資產管理有限公司) from April 2014 to August 2015.</p>

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

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

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

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

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

Name	Major Work Experience
Shou Weiguang (壽偉光)	<p>Resigned Supervisors (3)</p> <p>Born in 1963, a holder of a doctor's degree in economics and a post-doctoral degree in applied economics (finance), a senior economist, served as a Supervisor of the Company from 8 July 2015 to 12 April 2017 and the chairman of the Supervisory Committee from 21 July 2015 to 12 April 2017. Mr. Shou served, successively, at the office of the Ministry of Finance in Shanghai (財政部駐上海專員辦事處) as clerk, deputy section chief of the business section, deputy section chief of industry section one, and deputy section chief and section chief of the foreign trading and finance section from July 1987 to October 1995, the section chief level clerk of the comprehensive planning division of the Shanghai Municipal Finance Bureau (上海市財政局) from October 1995 to December 1997, the deputy director of Branch No.6 of the Shanghai Municipal Finance Bureau from December 1997 to August 1999, the deputy head of human resources department of Shanghai International Trust & Investment Co., Ltd. (上海國際信託投資公司) from August 1999 to May 2000, the member of CPC party committee and the director of the general office of CPC party committee, head of cadres human resources department and the head of office for postdoctoral work of Shanghai International Group Co., Ltd. (上海國際集團有限公司) from May 2000 to December 2002, the deputy general manager, and the member of CPC party committee of Shanghai International Group Co., Ltd. (concurrently the executive vice-president and the deputy head of postdoctoral working station of SIG Financial Development Research Institute.) from December 2002 to September 2009, the secretary of CPC party committee and president of Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司) from September 2009 to March 2013, the deputy mayor of the People's Government of Taiyuan City, Shanxi Province from March 2013 to June 2014, the municipal party committee member and deputy mayor of Taiyuan City, Shanxi Province from June 2014 to April 2015. Mr. Shou has been the secretary of CPC party committee and the chairman of the board of directors of (上海國盛(集團)有限公司) since April 2017.</p>
Yang Qingzhong (楊慶忠)	<p>Born in 1956, a master postgraduate, a senior political officer served as a Supervisor of the Company from 21 May 2004 to 13 December 2017 and the vice chairman of the Supervisory Committee from 16 May 2011 to 13 December 2017. He served as the secretary of the discipline inspection commission of the Company from October 2008 to September 2017, the deputy secretary of CPC party committee from February 2014 to September 2017. Mr. Yang worked in the People's Liberation Army Navy (中國人民解放軍海軍) from December 1974 to August 1998. He served in various positions in the Company, including as the deputy director of the CPC party committee office and a member of discipline inspection committee from August 1998 to November 2002, the deputy head of organisation department of the CPC party committee from August 1998 to August 2003, the general manager of the training centre from May 2003 to April 2005, the director of the department of Party-Masses relationship from November 2002 to February 2013, the general manager of the human resources development department from August 2003 to April 2013, the head of the organisation department of the CPC party committee from August 2003 to April 2013, the vice chairman of the labour union from April 2003 to July 2013, and the chairman of the Company's labour union from July 2013 to December 2016.</p>

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

Name	Major Work Experience
Qiu Xiaping (仇夏萍)	<p>Born in 1960, a holder of an MBA degree, a senior accountant, served as a Supervisor of the Company from 16 July 2007 to 11 December 2017. Ms. Qiu worked at Yangpu branch of the Industrial and Commercial Bank of China (中國工商銀行) from August 1980 to August 1992 and held position at the Pudong branch of the same bank from March 1993 to August 1993. She also worked at the Dongfang Road business department of Huaxia Securities Co., Ltd. (華夏證券有限公司) from August 1993 to November 1994. Ms. Qiu served different positions in the Company, including officer of the planning and finance department of the Company from November 1994 to August 1996, section chief of the finance and accounting department from August 1996 to April 1998, assistant to the general manager of the finance and accounting department from April 1998 to July 2000, deputy general manager of the finance and accounting department from July 2000 to March 2009, deputy general manager (in charge of operation) of the planning and finance department from March 2009 to December 2010, and deputy general manager (with benefits as a general manager) of the planning and finance department from December 2010 to November 2014 and the general manager of planning and finance department of the Company from November 2014 to May 2016. Ms. Qiu was a director of Haitong Futures Corporation (海通期貨有限公司) from October 2005 to December 2016, a director of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) from October 2008 to November 2016, a supervisor of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) from October 2008 to November 2016, a supervisor of Haitong Jihe Private Equity Investment Fund Management Company Limited (海通吉禾股權投資基金管理有限公司) from November 2010 to November 2016, and a supervisor of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) from June 2012 to January 2017.</p>

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

Name	Major Work Experience
Ren Peng (任澎)	<p>Other Senior Management (13)</p> <p>Born in 1962, a holder of a master's degree in business and administration, an economist, joined the Company in March 1996 and has been the Deputy General Manager since November 1997 and is mainly in charge of investment banking business. Mr. Ren served in several managerial positions in the Xihu Office of the Industrial and Commercial Bank of China (中國工商銀行) from June 1982 to February 1988 and served in various positions in Bank of Communications (中國交通銀行) (Hangzhou Branch) from March 1988 to March 1996 including head of saving business and manager of securities department. In addition, Mr. Ren was manager of Hangzhou business department of Haitong Securities Company Limited from March 1996 to November 1997. Mr. Ren was a director of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) from October 2008 to August 2011. He has been a director of China-Belgium Direct Equity Investment Fund (中國－比利時直接股權投資基金) since March 2011. Mr. Ren served as the chairman of the board of directors of Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司) from June 2014 to May 2017, the chairman of the board of directors of Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司) since May 2017. He has been chairman of the board of Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司) since June 2014, the chairman of the board of directors of Haitong UniFortune International Leasing Co., Ltd. (海通恒運國際租賃有限公司) and a director of Shanghai UniCircle Investment & Development Corporation (上海泛圓投資發展有限公司) since July 2014, and the chairman of the board of directors of Haitong UniTrust Finance & Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司) since November 2014.</p>
Hiroki Miyazato (宮里啓暉)	<p>Born in 1965, a holder of a master's degree in biophysics and biochemistry, joined the Company in May 2009 and has been the Deputy General Manager since March 2012. He is mainly in charge of the business of securities investment, trading, Shanghai FTZ (上海自貿試驗區) and OTC business. Mr. Miyazato was a manager in fixed income department of Credit Suisse First Boston (currently known as Credit Suisse Group AG) from April 1993 to March 1994. He was head of Asia department of Tokyo branch of Deutsche Genossenschaftsbank AG (currently known as Deutsche Zentral- Genossenschaftsbank AG) from April 1994 to March 1998. Mr. Miyazato was the global market investment manager of proprietary investment department of Tokyo branch of J.P. Morgan from April 1998 to September 1999. Mr. Miyazato was a fund manager of global strategic asset management, a senior fund manager of alternative investment, general manager of the China Investment Department and president of the Greater China area of Nikko (Citi) Asset Management Co., Ltd. from October 1999 to March 2009. He was also a director and the shareholder representative of Rongtong Fund Management Co., Ltd. (融通基金管理有限公司) from April 2007 to April 2009. He was a general manager of international business department of the Company from May 2009 to March 2012. Mr. Miyazato has been the chairman of Haitong Bank S.A. from September 2015 to October 2017, and CEO of Haitong Bank S.A. from December 2016 to October 2017. Currently, Mr. Miyazato holds concurrent positions of director of proprietary trading decision committee, a member of capital allocation committee and international business coordination committee, the deputy director of OTC Professional Committee of the Securities Association of China (中國證券業協會場外市場專業委員會) and a special financial expert of the National Thousand Talent Plan (國家千人計劃).</p>

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

Name	Major Work Experience
Pei Changjiang (裴長江)	Born in 1965, a holder of a master's degree in political economics, joined the Company in August 2013. Since then, he has been serving as Deputy General Manager of the Company. From July 1993 to July 1996, Mr. Pei successively held various positions in Shanghai International Securities Co., Ltd., (上海萬國證券公司) including research fellow of research department, and assistant to the general manager, general manager of Zhabei Business Department. From August 1996 to October 2002, he held the position of general manager of Zhabei Business Department, deputy general manager of Zhejiang Management Headquarters and deputy general manager of Brokerage Headquarters of Shenyin Wanguo Securities Co., Ltd., (申銀萬國證券公司). From October 2002 to August 2013, he successively served as investment director of Fortune Trust & Investment Co., Ltd. (華寶信託投資有限責任公司) and a director and general manager of Fortune SGAM Fund Management Co., Ltd. (華寶興業基金管理有限公司). Mr. Pei has been a director of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) since August 2014, chairman of Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司) since November 2014, and chairman of the board of directors of Haitong Futures Corporation (海通期貨有限公司) from September 2015 to March 2016, and the chairman of the board of directors of Haitong Futures Co., Ltd. (海通期貨股份有限公司) since March 2016.
Wang Jianye (王建業)	Born in 1960, a holder of a master's degree, a senior economist, joined the Company in August 1994 and has been the General Compliance Officer since July 2010, and the general manager of Compliance and Legal Department of the Company since March 2017. He is mainly in charge of compliance management departments. Mr. Wang is also a deputy director of Compliance Committee of the Securities Association of China (中國證券業協會合規專業委員會), and the director of Compliance and Self-discipline Supervision Committee of Shanghai Securities Association (上海證券同業公會合規與自律監察專業委員會). Mr. Wang was successively deputy section chief level clerk, trainee deputy director and deputy director of education department of financial administration division of PBOC (中國人民銀行) Inner Mongolia Branch from August 1984 to August 1990, deputy director of Financial Administration Division of PBOC Inner Mongolia Branch from August 1990 to May 1992, deputy general manager of the securities department of Inner Mongolia Securities Company (內蒙古自治區證券公司) from May 1992 to March 1993 and deputy general manager of the same company from March 1993 to July 1994. Mr. Wang previously served in various positions in the Company including head of trading department from August 1994 to March 1996, deputy general manager of business management headquarters from March 1996 to September 1998, and general manager of integrated business management headquarters from September 1998 to August 2004. Mr. Wang was assistant to general manager of the Company from June 2001 to February 2011, general manager of brokerage business headquarters from March 2005 to June 2006 and general manager of risk control headquarters from October 2008 to March 2011, and was successively in charge of integrated business management headquarters, brokerage business headquarters, I.T. department, brokerage operations centre, sales and transactions headquarters, customer asset management department and risk control department. Mr. Wang concurrently served as the Chief Risk Office (enjoying the Company's deputy general manager level benefits) from May 2011 to March 2017.

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

Name	Major Work Experience
Li Chuqian (李礎前)	<p>Born in 1957, a holder of a master degree in economics, a senior economist, joined the Company in August 1994 and has been the chief financial officer of the Company (enjoying the Company's deputy general manager level benefits) since July 2007, mainly in charge of finance. Mr. Li is also a deputy director of the Financial Accounting and Risk Control Committee of the Securities Association of China (中國證券業協會財務會計與風險控制專業委員會), and the deputy director of CFO Committee of the Listed Companies Association of Shanghai (上海上市公司協會財務總監委員會). Mr. Li was previously deputy section chief level clerk of Central Enterprise Department of Anhui Provincial Department of Finance (安徽省財政廳中企處) from July 1988 to August 1991 and section chief of Anhui Provincial State-owned Assets Supervision and Administration Bureau (安徽省國有資產管理局) from August 1991 to July 1994. Mr. Li served in various positions in the Company including head of planning and finance department from August 1994 to March 1996, deputy general manager of finance and accounting department from March 1996 to April 1998, general manager of finance and accounting department from April 1998 to July 2001, and deputy chief financial officer and general manager of finance and accounting department from July 2001 to July 2007. He was a director of Shanghai Jielong Industry Group Corporation Limited (上海界龍實業集團股份有限公司) (listing on the Shanghai Stock Exchange, stock code: 600836) from May 2006 to May 2009, the supervisor of Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司) from June 2012 to October 2016. Mr. Li has been the chairman of the supervisory committee of HFT Investment Management Co., Ltd. (海富通基金管理有限公司) since April 2003, and a director of Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司) since June 2010.</p>
Mao Yuxing (毛宇星)	<p>Born in 1971, a holder of a doctor's degree in Science and a post-doctoral degree in management, a senior engineer (professor level), has served as Chief Information Officer (deputy general manager level) and director of IT management committee of the Company since 19 September 2016. From August 1993 to September 2001, Mr. Mao successively held various positions in Information Technology Department of Shanghai branch of the Industrial and Commercial Bank of China (中國工商銀行) including programmer, deputy section chief, section chief and deputy director. From September 2001 to November 2011, he successively served as assistant to the general manager (deputy department director level and department director level), deputy general manager and member of CPC party committee in Data Centre (Shanghai) of the Industrial and Commercial Bank of China (中國工商銀行). From November 2011 to April 2016, he served as deputy general manager of Information Technology Department of the Industrial and Commercial Bank of China (中國工商銀行). Mr. Mao was a member of the Expert Committee of People's Bank of China (中國人民銀行), China Banking Regulatory Commission (中國銀監會), Ministry of Public Security (公安部) of China and Ministry of Industry and Information Technology (工信部) of China.</p>

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

Name	Major Work Experience
Chen Chunqian (陳春錢)	Born in 1963, a holder of a doctor's degree in economics, joined the Company in October 1997 and has been the assistant to General Manager since March 2012, responsible for the brokerage business of the Company. Mr. Chen is also the director of the brokerage committee, the deputy director of IT management committee, and a member of international business coordination committee. He has enjoyed the Company's deputy general manager level benefits since February 2017. He is also a deputy director of Financing Securities Business Committee under the Securities Association of China (中國證券業協會融資融券業務委員會), the deputy director of Securities Conflict Resolution Committee of Shanghai Securities Association (上海證券同業公會證券糾紛調解專業委員會). Mr. Chen also served in various positions in the Company, including the head of business department of Shenzhen Branch from October 1997 to January 1998, the deputy general manager of international business department from January 1998 to March 2000, the deputy general manager of Shenzhen Branch from March 2000 to December 2000, the general manager of investment management department (Shenzhen) from December 2000 to May 2006, the general manager of sales and trading headquarters from May 2006 to February 2013 and the general manager of the institutional department during the period of November 2007 to March 2009. Mr. Chen has been a director of E-Capital Transfer Co., Ltd. (證通股份有限公司) since January 2015.
Li Jianguo (李建國)	Born in 1963, a holder of a doctor's degree in economics, joined the Company in 1998, and has been the assistant to the General Manger of the Company since 2008. Mr. Li served as a general manager of Henan Securities Co., Ltd. (河南省證券有限公司) from 1992 to 1998, a deputy general manager of Haitong Securities Co., Ltd. from 1998 to 1999, a vice chairman and general manger of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) from May 1999 to August 2008. Mr. Li served as the chairman of Haitong International Holdings Limited (海通國際控股有限公司) from October 2008 to August 2010. He has been the vice chairman of Haitong International Holdings Limited since August 2010, an executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Exchange, under the stock code of 0665) since January 2010 and vice chairman of the Board of Haitong International Securities Group Limited since March 2010.

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

Name	Major Work Experience
Zhang Xiangyang (張向陽)	<p>Born in 1965, a holder of a bachelor's degree in engineering, a senior economist, joined the Company in May 1996 and has been the assistant to the General Manager since December 2014 and the director of the PE and industrial capital investment committee of the Company since March 2013, mainly responsible for the direct equity investments. Mr. Zhang previously worked in Xinhua Bookstore in Taiyuan from December 1983 to April 1988, in Shanxi Radio & TV University (山西廣播電視大學) from April 1988 to December 1991, and in the Bank of Communications Taiyuan Branch (交通銀行太原分行) from December 1991 to May 1996. Mr. Zhang served in various positions in the Company, including deputy general manager (in charge of operations) and general manager of Taiyuan business department from May 1996 to April 2002, deputy general manager and general manager of integrated business management headquarters from April 2002 to May 2006, general manager of risk control headquarters from May 2006 to October 2008, a director, general manager and the director of the investment decision committee of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) from October 2008 to November 2012, a director of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) from June 2012 to August 2015, chairman of Haitong Innovative Capital Management Co., Limited (海通創新資本管理有限公司) from November 2011 to July 2015, chairman of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) from August 2015 to March 2016, a director of Haitong New Energy Equity Investment Management Co., Ltd. (海通新能源股權投資管理有限公司) from July 2013 to May 2016, and chairman of Haitong New Energy Equity Investment Management Co., Ltd. from July 2015 to May 2016. Mr. Zhang has been chairman and the director of the investment decision committee of Haitong Capital Investment Co., Ltd. since November 2012, chairman of Haitong Creative Capital Management Co., Ltd. since March 2016, and the chairman of Haitong M&A Capital Management (Shanghai) Co., Ltd. (海通併購資本管理(上海)有限公司) since June 2016. Mr. Zhang currently serves as the director of Direct Investment Committee under the Securities Association of China (中國證券業協會直接投資業務專業委員會) and the vice president of PE Association of Shanghai (上海股權投資協會)</p>

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

Name	Major Work Experience
Lin Yong (林湧)	Born in 1969, a holder of a doctor's degree in economics, joined the Company in December 1996 and has been the assistant to the General Manager since December 2014, and general manager of Haitong International Holdings Limited (海通國際控股有限公司) since July 2007. Mr. Lin served in various positions in the Company, including as a deputy general manager in investment banking department from December 1996 to July 2003, and as deputy general manager (in charge of operations) from January 2001 to July 2003, deputy general manager of the fixed income department from July 2003 to May 2004, successively deputy general manager (in charge of operations) and general manager of the investment bank department (Shanghai) from May 2004 to July 2007, Mr. Lin has been an executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司), listed on the Hong Kong Stock Exchange under the stock code of 0665) since December 2009, an executive director and the joint chief executive of Haitong International Securities Group Limited from March 2010 to March 2011. Mr. Lin has been an executive director, the vice chairman of the board of directors, managing director and chief executive officer of Haitong International Securities Group Limited since April 2011, a non-executive director of Haitong Bank S.A. since June 2016, and the chairman of the board of director of Haitong Bank S.A. since October 2017.
Jiang Chengjun (姜誠君)	Born in 1968, a holder of a master's degree in economics, an economist, has been assistant to the General Manger and the Secretary of the Board since 29 March 2017, the joint Company Secretary and joint Authorized Representative of the Company since 5 April 2017, the general manager of investment banking headquarter of the Company since April 2017. Mr. Jiang has been a cadre of Xiamen ITG Group Co., Ltd. (廈門國貿集團股份有限公司) from July 1993 to July 1994, a deputy manager of finance and securities department, a manager of investment management and development department, an assistant to general manager, a secretary to the board of directors and a deputy general manager of Xiamen Guotai Enterprises Co., Ltd. (廈門國泰企業股份有限公司) from July 1994 to August 2000. Mr. Jiang served as a deputy general manager in the investment banking department of the Company from August 2000 to July 2007, a deputy general manager (in charge of operations) in the investment banking department of the Company from July 2007 to April 2009, a member of investment banking committee of the Company from March 2010 to February 2011, a member of international business coordination committee of the Company from February 2011 to March 2014, the general manager of investment banking department of the Company from April 2009 to April 2017. Mr. Jiang has been a deputy director of investment banking committee of the Company since February 2011.

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

Name	Major Work Experience
Du Hongbo (杜洪波)	Born in 1963, a holder of a bachelor's degree in engineering, an engineer, has been the Chief Risk Officer of the Company since May 2017 and the general manager of the Risk Management Department of the Company since March 2017. Mr. Du worked at Wuhan Computer Application Institute (武漢市電子計算機應用開發研究所) from August 1984 to December 1990, Wuhan Branch of Stone Group Corp. (四通集團武漢分公司) from December 1990 to August 1992, Wuhan Software Research Centre (武漢軟件研究中心) from August 1992 to August 1996, the computer technology centre of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) from August 1996 to March 2002. Mr. Du was the assistant to the general manager of the website management department of the Company from March 2002 to May 2003, the assistant to the general manager of the brokerage business headquarters of the Company from May 2003 to May 2005, the deputy general manager of integrated business management headquarters of the Company from May 2005 to May 2006. He worked at the risk control headquarters of the Company from May 2006 to March 2011, served, successively, as the deputy general manager and the deputy general manager (with benefits as a general manager). He was the general manager of the compliance and risk management headquarters of the Company from March 2011 to January 2013, the general manager of OTC department of the Company from January 2013 to February 2014, the general manager of securities finance department of the Company from February 2014 to March 2017. Mr. Du was an Employee Representative Supervisor of the Company from 16 May 2011 to 30 December 2014.
Pan Guangtao (潘光韜)	Born in 1971, a holder of a MBA degree, an engineer and assistant economist, has been the assistant to the General Manger of the Company since May 2017 and the general manager of the Equity Investment Trading Department of the Company since March 2013. Mr. Pan worked as head of IT at IT Department of Brokerage Headquarter of Shenyin Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司) from July 1994 to July 1998. He worked at First Securities Investment Department of Securities Investment Headquarter of Shenyin Wanguo Securities Co., Ltd. from July 1998 to July 2002, served, successively, as assistant to manager, deputy manager. Mr. Pan worked as assistant to general manager of Second Trading Department of the Company from August 2002 to June 2003. He worked at Trading Headquarter from July 2003 to August 2004, served, successively, as assistant to general manager, deputy general manager. He worked as deputy general manager of Investment Management Department from August 2004 to August 2006. He worked at Securities Investment Department from August 2006 to March 2013, served as deputy general manager, deputy general manager (in charge of operations). He has been a non-executive director of Haitong Bank S.A. since November 2015.

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

Name	Major Work Experience
Ji Yuguang (吉宇光)	<p>Resigned Senior Management (2)</p> <p>Born in 1957, a holder of a master's degree, a senior economist, joined the Company in November 1995 and served as the Deputy General Manager of the Company from November 1997 to January 2018 and was mainly in charge of international business. Mr. Ji was an officer of Finance Department of Beijing Planning Commission (北京市計委財金處) from August 1983 to November 1988. Mr. Ji served in various positions in Bank of Communications (中國交通銀行) (Beijing Branch) from November 1988 to November 1995, including deputy manager and manager of securities trading department of the same branch. He also served as head and general manager of Beijing Langjiayuan business department of Haitong Securities Company Limited from November 1995 to November 1997. Mr. Ji served as the chairman of Jilin Modern Agricultural and Emerging Markets Investment Fund Limited (吉林省現代農業和新興產業投資基金有限公司) from December 2010 to May 2011, a director of China-Belgium Direct Equity Investment Fund (中國-比利時直接股權投資基金) from November 2004 to March 2011, a director of HFT Investment Management Co., Ltd. (海富通基金管理有限公司) from April 2003 to March 2016. Mr. Ji served as a non-executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listing on the Hong Kong Exchange under the stock code of 0665) from January 2010 to February 2018 and chairman of board of directors of Haitong International Securities Group Limited from April 2011 to February 2018, a director of Haitong International Holdings Limited from August 2010 to February 2018, chairman of the board of directors of Haitong International Holdings Limited (海通國際控股有限公司) from March 2011 to February 2018.</p>
Huang Zhenghong (黃正紅)	<p>Born in 1975, a holder of a master's degree in economics, served as the secretary of the Board of the Company from March 2015 to March 2017, the joint company secretary and joint authorized representative of the Company from April 2015 to April 2017. Mr. Huang served in various positions in the Company, including an industry analyst in the research institute of the Company from July 2001 to December 2003, a vice section chief level secretary, section chief level secretary and assistant to director in the general manager's office from December 2003 to March 2011 successively, a deputy director of the office of strategic development & IT management committee and the assistant to the director of the general manager's office from March 2011 to November 2012, and the general manager of the strategic development department from November 2012 to February 2017.</p>

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

Descriptions of other situations

1. Changes in Directors

Reference is made to the announcement of the Company dated 31 August 2016, which states that Mr. Li Guangrong tendered his resignation from the office of the independent non-executive Director of the sixth session of the Board, and the office of chairman of the Nomination, Remuneration and Assessment Committee, as well as a member of the Development Strategy and Investment Management Committee and a member of the Audit Committee due to career development reason. After resignation, he would no longer hold any other positions in the Company. His resignation took effect from the date of commencement of the term of office of the new independent non-executive Director (namely 6 April 2017, when independent non-executive Director Mr. Lam Lee G. took his term of office), whose appointment shall be approved at the general meeting of the Company and whose qualification shall be approved by the securities regulatory authorities.

On 23 September 2016, the “Resolution in Relation to the Appointment of Mr. Lam Lee G. as the Independent Non-executive Director of the Company” was considered and approved at the first extraordinary general meeting of 2016 of the Company, approving Mr. Lam Lee G. as an independent non-executive Director of the Company, and his term of office will be the same as the sixth session of the Board. The qualification as an independent non-executive Director of Mr. Lam Lee G. will take effect subject to the approval by the securities regulatory authorities. On 28 October 2016, “Resolution in Relation to selecting Mr. Zhou Jie as the Chairman and adjustment of members of the Development Strategy and Investment Management Committee of the sixth session of the Board” and “Resolution in Relation to Adjusting the Members of Audit Committee” were considered and approved at the 19th meeting of the sixth session of the Board, adjusting the members of the Development Strategy and Investment Management Committee and the members of Audit Committee of the Board, and appointing Mr. Lam Lee G. to take the office of Mr. Li Guangrong as a member of the Committees. The “Resolution in Relation to selecting Mr. Liu Cheeming as the Chairman and adjustment of members of the Nomination, Remuneration and Assessment Committee of the sixth session of the Board” was also considered and approved, appointing Mr. Liu Cheeming (an independent non-executive Director) to take the office of Mr. Li Guangrong as the chairman of the Nomination, Remuneration and Assessment Committee as well as adding Mr. Lam Lee G. as the member of this Committee. The above appointment will be effective after Mr. Lam Lee G.’s qualification as an independent non-executive Director is approved by the regulatory authorities. Reference is made to the announcement of the Company dated 6 April 2017, which states that Mr. Lam Lee G.’s qualification as an independent non-executive Director has been approved. Mr. Lam Lee G. began to perform his duties as an independent non-executive Director from 6 April 2017, and member of the Development Strategy and Investment Management Committee, the Audit Committee and the Nomination, Remuneration and Assessment Committee.

Reference is made to the announcements of the Company dated 12 May 2017 and 26 May 2017, which state that Mr. Wang Hongxiang tendered his resignation from the office of a non-executive Director of the sixth session of the Board, and the office of members of the Nomination, Remuneration and Assessment Committee and the Audit Committee due to age reason. After resignation, he would no longer hold any other position in the Company. Mr. Wang Hongxiang’s resignation application took effect from 12 May 2017.

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

On 6 June 2017, the "Proposal regarding the Appointment of Mr. Wu Yuezhou as Director of the Company" was considered and approved at the 2016 annual general meeting of the Company, approving Mr. Wu Yuezhou as a non-executive Director of the Company, and his term of office will be the same as the sixth session of the Board, subject to his qualification as a non-executive Director of the Company being approved by the regulatory authorities. Reference is made to the announcement of the Company dated 18 August 2017, which states that Mr. Wu Yuezhou's qualification as a non-executive Director has been approved, Mr. Wu Yuezhou began to perform his duties as a non-executive Director from 18 August 2017. On 29 August 2017, the "Proposal regarding the Election of Mr. Wu Yuezhou as a member of the Nomination, Remuneration and Assessment Committee and a member of the Audit Committee of the sixth session of the Board" was considered and approved at the 25th meeting of the sixth session of the Board, appointing Mr. Wu Yuezhou to take the office of Mr. Wang Hongxiang as a member of the Nomination, Remuneration and Assessment Committee and a member of the Audit Committee. Mr. Wu Yuezhou began to perform his duties as member of the Nomination, Remuneration and Assessment Committee and member of the Audit Committee from 29 August 2017.

2. *Changes in Supervisors*

Reference is made to the announcement of the Company dated 12 April 2017, which states that Mr. Shou Weiguang tendered his resignation from the office of the chairman and Supervisor of the sixth session of the Supervisory Committee due to work arrangement. After resignation, he would no longer hold any other position in the Company. Mr. Shou Weiguang's resignation application took effect from 12 April 2017.

Reference is made to the announcement of the Company dated 20 November 2017, which states that Mr. Yang Qingzhong and Ms. Qiu Xiaping will cease to be the employee representative Supervisors of the Company due to age reason. On 20 November 2017, the Company held the eighth meeting of the third session of the employee representative meeting by way of correspondence, at which Mr. Wu Hongwei and Mr. Rui Zhengxian were elected as the employee representative Supervisors of the sixth session of the Supervisory Committee of the Company. Before their qualifications as Supervisors of a securities firm took effect, Mr. Yang Qingzhong and Ms. Qiu Xiaping continued to perform their duties as employee representative Supervisors of the Company, while Mr. Yang Qingzhong continued to perform his duties as the vice chairman of the Supervisory Committee of the Company. Reference is made to the announcement of the Company dated 15 December 2017, which states that Mr. Wu Hongwei and Mr. Rui Zhengxian's qualifications as Supervisors of a securities firm have been approved by the securities regulatory authorities. Mr. Wu Hongwei and Mr. Rui Zhengxian began to perform their duties as employee representative Supervisors from 13 December 2017 and 11 December 2017 respectively, and their terms of office will be the same as the sixth session of the Supervisory Committee, while Mr. Yang Qingzhong and Ms. Qiu Xiaping would no longer perform the duties as employee representative Supervisors. On 15 December 2017, the Company held the 16th meeting (extraordinary meeting) of the sixth session of the Supervisory Committee, at which Mr. Wu Hongwei was elected as the vice chairman of the sixth session of the Supervisory Committee.

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

3. *Changes in senior management*

On 29 March 2017, the “Resolution on Appointment of Secretary to the Board and Joint Company Secretary” and the “Resolution on Appointment of Senior Management” were considered and approved at the 23rd meeting of the sixth session of the Board. Due to career development reason, Mr. Huang Zhenghong ceased to act as secretary to the Board, a joint company secretary, an authorized representative (in terms of Rule 3.05 of the Hong Kong Listing Rules) of the Company, as well as the authorized person who receives the password of the e-Submission system of the Hong Kong Stock Exchange and for subsequent registration matters. The Board appointed Mr. Jiang Chengjun as assistant to general manager, secretary to the Board, a joint company secretary, an authorized representative (in terms of Rule 3.05 of the Hong Kong Listing Rules) of the Company, as well as the authorized person who receives the password of the e-Submission system of the Hong Kong Stock Exchange and for subsequent registration matters. Mr. Jiang Chengjun began to perform his duties as assistant to general manager, secretary to the Board, an authorized representative (in terms of Rule 3.05 of the Hong Kong Listing Rules) of the Company, as well as the authorized person who receives the password Hong Kong of the e-Submission system of the Hong Kong Stock Exchange and for subsequent registration matters from 29 March 2017, and as a joint company secretary from 5 April 2017.

On 29 March 2017, the “Resolution on Appointment of Senior Management” was considered and approved at the 23rd meeting of the sixth session of the Board, appointing Mr. Du Hongbo to take the office of Mr. Wang Jianye as the chief risk control executive, as well as appointing Mr. Pan Guangtao as assistant to general manager. The above appointments shall be effective after Mr. Du Hongbo and Mr. Pan Guangtao’s qualifications as senior management of a securities firm have been approved by the regulatory authorities. Reference is made to the overseas regulatory announcement of the Company dated 12 May 2017, which states Mr. Du Hongbo and Mr. Pan Guangtao’s qualifications as senior management of a securities firm were approved by the securities regulatory authorities. They began to perform their duties as senior management of the Company from 12 May 2017.

Reference is made to the announcement of the Company dated 25 January 2018, which states that Mr. Ji Yuguang would cease to be deputy general manager of the Company due to age reason.

On 27 March 2018, the “Resolution on Appointment of Chief Financial Officer” was considered and approved at the 29th meeting of the sixth session of the Board. Mr. Li Chuqian ceased to act as the Chief Financial Officer due to age reason, the Board of the Company appointed Mr. Zhang Xinjun as the Chief Financial Officer in accordance with the PRC Company Law and the Articles of Association. Mr. Zhang Xinjun’s qualification has been approved by the securities regulatory authorities and he took his term of office on the date of such approval.

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

(II) Equity incentives granted to the Directors and senior management during the Reporting Period

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

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

(I) Positions in shareholder entities

Name	Name of shareholder entities	Positions in the shareholder entities	Commencement date of tenure for the session	Ending date of tenure for the session
Positions of current Directors:				
Yu Liping	Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司)	Vice President	2010	to date
Chen Bin	Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司)	Deputy General Manager	2017	to date
Wu Yuezhou	Shenergy Group Company Limited (申能(集團)有限公司)	Deputy Chief Economist, Manager of Asset Management Department	2016	to date
Xu Jianguo	Shanghai Electric (Group) Corporation (上海電氣(集團)總公司)	Minister of Finance and Budget Department	2013	to date
Zhang Xinmei	Shanghai Jiushi (Group) Co., Ltd. (上海久事(集團)有限公司)	Vice President	2014	to date
Shen Tiedong	Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司)	Vice Chairman, deputy secretary of CPC Party Committee, General Manager	2014	to date
Positions of resigned Director:				
Wang Hongxiang	Shenergy Group Company Limited (申能(集團)有限公司)	Deputy Chief Accountant	1998	2016
Positions of current Supervisors:				
Li Lin	Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司)	Chief Financial Officer	2014	to date
Zheng Xiaoyun	Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司)	Chief Financial Officer, Secretary to the Board	2015	to date
	Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司)	Director	2017	to date
Cheng Feng	Shanghai United Media Group (上海報業集團)	Members of CPC Party Committee, Deputy General Manager	2013	to date
Song Chunfeng	China Shipowners Mutual Assurance Association (中國船東互保協會)	General Manager	2016	to date
Chen Huifeng	Shanghai Lansheng Corporation (上海蘭生股份有限公司)	Director	2012	to date

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

(II) Positions in other entities

Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
Positions of current Directors:				
Yu Liping	NGS Supermarket (Group) Co., Ltd. (農工商超市(集團)有限公司)	Chairman of the supervisory committee	2013	to date
	Shanghai Light Industry Company (Group) (上海轻工控股(集團)公司)	Legal Representative	2014	to date
	Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司)	Chairman of the supervisory committee	2014	to date
	Shanghai Yimin Food Group (上海益民食品集團)	Chairman of the supervisory committee	2015	2017
Chen Bin	Orient Securities Company Limited (東方證券股份有限公司)	Non-executive director	2014	to date
	Jingan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團靜安煙草糖酒有限公司)	Director	2016	to date
	Zhabei Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團閘北煙草糖酒有限公司)	Director	2016	to date
	Luan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團盧灣煙草糖酒有限公司)	Director	2016	to date
	Railway Tobacco Co., Ltd. of Shanghai Tobacco Group (上海煙草集團鐵路煙草有限公司)	Director	2016	to date
	Jiading Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團嘉定煙草糖酒有限公司)	Director	2016	to date
	Putuo Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團普陀煙草糖酒有限公司)	Director	2016	to date
	Huangpu Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團黃浦煙草糖酒有限公司)	Director	2016	to date
	Fengxian Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團奉賢煙草糖酒有限公司)	Director	2016	to date
	Jinshan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團金山煙草糖酒有限公司)	Director	2016	to date
	Changning Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團長寧煙草糖酒有限公司)	Director	2016	to date
	Shanghai Magnolia Tobacco Materials Co., Ltd. (上海白玉蘭煙草材料有限公司)	Director	2016	to date
	Shanghai Jinding Printing Co., Ltd. (上海金鼎印務有限公司)	Director	2016	to date
	Shanghai Haiyan Tobacco Industry Chain Enterprise Management Co., Ltd. (上海海煙煙行連鎖企業管理有限公司)	Director	2016	to date
	Shanghai Tobacco Auction Co., Ltd. (上海煙草拍賣行有限責任公司)	Director	2017	to date
	Shanghai Tobacco Packaging and Printing Co., Ltd. (上海煙草包裝印刷有限公司)	Director	2017	to date
	Shanghai Peony Perfumery Co., Ltd. (上海牡丹香精香料有限公司)	Director	2017	to date
	Huahuan International Tobacco Co., Ltd. (華環國際煙草有限公司)	Director	2017	to date

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

Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
Xu Jianguo	Shanghai Prime Machinery Co., Ltd. (上海集優機械股份有限公司)	Chairman of the supervisory committee	2016	to date
	Orient Securities Company Limited (東方證券股份有限公司)	Director	2016	to date
	Shanghai Life Insurance Company Ltd. (上海人壽保險股份有限公司)	Director	2015	to date
	Shanghai Electric Group Finance Co., Ltd. (上海電氣集團財務有限責任公司)	Director	2013	to date
	Shanghai Micro Electronics Equipment Group Co., Ltd. (上海微電子裝備股份有限公司)	Director	2016	to date
	Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司)	Director	2016	2017
	Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司)	Chairman of the supervisory committee	2017	to date
Zhang Xinmei	China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司)	Supervisor	2015	to date
	China Pacific Life Insurance Co., Ltd. (中國太平洋人壽保險股份有限公司)	Supervisor	2015	to date
Positions of current independent non-executive Directors:				
Liu Cheeming	Platinum Holdings Limited (百德能控股有限公司)	Managing Director	1996	to date
	Starhub Ltd. (星和有限公司)	Independent non-executive director	2004	to date
	OUE Hospitality Trust Management Pte. Ltd.	Independent non-executive director	2013	to date
	OUE Hospitality REIT Management Pte. Ltd.	Independent non-executive director	2013	to date
	Dalian Wanda Commercial Properties Co., Ltd. (大連萬達商業地產股份有限公司)	Independent supervisor	2015	to date
	STTGDC Pte.Ltd.	Independent non-executive director	2015	to date
Xiao Suining	Herald Pacific Financial Leasing Co., LTD. (先鋒太盟融資租賃有限公司)	Chairman	2013	to date
	Beijing SPC Environment Protection Tech Co., LTD. (北京清新環境技術股份有限公司)	Independent director	2013	to date
	Zhongrun Resources Investment Incorporated Company (中潤資源投資股份有限公司)	Independent director	2013	to date
	Nan Hai Corporation Limited (南海控股有限公司)	Independent non-executive director	2016	to date
	China Digital Information Co., Ltd. (中國數碼信息有限公司)	Independent non-executive director	2016	to date
	Tahone Investment Management (Ningbo) Co., Ltd. (太合匯投資管理(寧波)有限公司)	Chairman and General Manager	2017	2018

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

Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
Feng Lun	Vantone Holdings Co., Ltd. (萬通投資控股股份有限公司)	Chairman	1993	to date
	Beijing Sifang Yufeng Investment Co., Ltd. (北京四方御風投資有限公司)	Chairman	2016	to date
Zhang Ming	School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院)	Professor	1997	to date
	Shang Gong Group Co., Ltd. (上工申貝(集團)股份有限公司)	Independent director	2009	to date
	Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司)	Independent director	2011	to date
	Wuxi Commercial Mansion Grand Orient Co., Ltd. (無錫商業大廈大東方股份有限公司)	Independent director	2015	to date
	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	Independent director	2016	to date
Lam Lee G.	Macquarie Infrastructure and Tangible Assets (Hong Kong) Limited (麥格理基礎建設及有型資產(香港)有限公司)	Non-executive Chairman of the ASEAN region, and Chief Adviser to the Asian region	2015	to date
	P.C. Woo & Co. (胡百全律師事務所)	Senior associate	2014	to date
	Hong Kong Casin Holdings Limited (香港財信控股有限公司)	Director	2017	to date
	PT Purimas Sasmita (Sinar Mas Group 金光集團)	Senior Consultant	2017	to date
	Adamas Finance Asia Limited	Director	2017	to date
	Asia-Pacific Strategic Investments Limited	Independent director	2017	to date
	AustChina Holdings Limited (former name: Coalbank Limited)	Independent director	2013	to date
	China LNG Group Co., Ltd. (中國天然氣集團有限公司)	Director	2014	to date
	China Shandong Hi-Speed Financial Group Limited (中國山東高速金融集團有限公司)	Director	2017	to date
	CSI Properties Limited (資本策略地產有限公司)	Independent director	2001	to date
	Elife Holdings Limited (former name: Sino Resources Group Limited) (易生活控股有限公司) (former name: 神州資源集團有限公司)	Independent director	2015	to date
	Glorious Sun Enterprises Limited (旭日企業有限公司)	Independent director	2004	to date
	Hua Long Jin Kong Company Limited (formal name: Highlight China IoT International Limited) (華隆金控有限公司) (former name: 高銳中國物聯網國際有限公司)	Independent director	2017	to date

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

Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
	Huarong Investment Stock Corporation Limited (華融投資股份有限公司)	Independent director	2017	to date
	Kidsland International Holdings Limited (凱知樂國際控股有限公司)	Independent director	2017	to date
	Mei Ah Entertainment Group Ltd. (美亞娛樂諮詢信息集團有限公司)	Independent director	2017	to date
	National Arts Entertainment and Culture Group Ltd. (國藝娛樂文化集團有限公司)	Director	2017	to date
	Rowsley Limited	Independent director	2002	to date
	Singapore eDevelopment Ltd.	Director	2017	to date
	Sunwah International Limited	Independent director	2011	to date
	Sunwah Kingsway Capital Holdings Limited (新華匯富金融控股有限公司)	Director	2007	to date
	Tianda Pharmaceuticals Ltd. (天大藥業有限公司)	Director	2018	to date
	Top Global Limited	Independent director	2010	to date
	Vietnam Equity Holding (VEH) (Vietnam Property Holding (VPH), incorporated to (VEH) on 30 June 2017)	Independent director	2007	to date
	Vongroup Limited (黃河實業有限公司)	Independent director	2005	to date
	Xi'an Haitian Holdings Co., Ltd. (former name: Xi'an Haitian Antenna Technologies Co., Ltd.) (西安海天實業股份有限公司) (former name: 西安海天線控股份有限公司)	Independent director	2017	to date
Positions of resigned Independent non-executive Director:				
Li Guangrong	Tehua Investment Holding Co., Ltd. (特華投資控股有限公司)	Chairman	1998	to date
	Sinosafe General Insurance Co., Ltd. (華安財產保險股份有限公司)	Chairman	2004	to date
	Sinosafe General Insurance Asset Management Company Limited (華安財保資產管理有限責任公司)	Chairman	2014	to date
	Bohai International Trust Co., Ltd. (渤海國際信託有限公司)	Chairman	2014	to date
	China Minsheng Investment Company Limited (中國民生投資股份有限公司)	Chairman of the Advisory Committee to the Board	2014	to date

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

Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
Positions of current Supervisors:				
Li Lin	Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司)	Chairman	2014	to date
	Sailing Capital Management Co., Ltd. (賽領資本管理有限公司)	Director	2014	to date
	Sailing Capital International Fund (Shanghai) Co., Ltd. (賽領國際投資基金(上海)有限公司)	Director	2014	to date
Cheng Feng	Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司)	Chairman	2014	to date
	Shanghai Xinhua Publishing Group Limited (上海新華發行集團有限公司), Shanghai Xinhua Media Co., Ltd. (上海新華傳媒股份有限公司)	Director	2014	to date
	Shanghai Xinhua Media Co., Ltd. (上海新華傳媒股份有限公司)	Executive Vice Chairman	2017	to date
	Shanghai Shangbao Chuanyue Properties Development Co., Ltd. (上海上報悅置業發展有限公司)	Chairman	2014	to date
	Shanghai Wenhui and Xinmin Industry Co., Ltd. (上海文匯新民實業有限公司)	Executive Director	2014	to date
	Jiemian (Shanghai) Network Technology Co., Ltd. (界面(上海)網絡科技有限公司)	Chairman of the Supervisory Committee	2014	to date
	Shanghai Oriental Pearl Real Estate Co., Ltd. (上海東方明珠房地產有限公司)	Director	2014	to date
	Shanghai Real Power Capital Co., Ltd. (上海瑞力投資基金管理有限公司)	Chairman	2015	to date
	Shanghai Shenwen Industry Co., Ltd. (上海申聞實業有限公司)	Executive Director	2015	to date
	Shanghai East Ticket Co., Ltd. (上海東方票務有限公司)	Chairman	2016	to date
	Shanghai Human Resource Market Press Co., Ltd. (上海人才市場報社有限公司)	Executive Director	2016	to date
	Shanghai Real Estate Times Press Co., Ltd. (上海房地產時報社有限公司)	Executive Director	2016	to date
	Shanghai Culture Assets and Equity Exchange Co., Ltd. (上海文化產權交易所股份有限公司)	Chairman	2016	to date
	Shanghai Jiefang Media Information Development Co., Ltd. (上海解放傳媒信息發展有限公司)	Executive Director	2016	to date
	Shanghai Dongfang Press Co., Ltd. (上海東方報業有限公司)	Vice Chairman	2016	2017
Shanghai Dongfang Press Co., Ltd. (上海東方報業有限公司)	Chairman	2017	to date	
China Universal Asset Management Company Limited (匯添富基金管理股份有限公司)	Director	2016	to date	

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

Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
Feng Huang	SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司)	Director, President, Vice Chairman (from 2014 to date)	2012	to date
	Shanghai Lujiazui Finance & Trade Zone United Development Co., Ltd. (上海陸家嘴金融貿易區聯合發展有限公司)	Director	2004	to date
	SIIC Investment Co., Ltd. (上海實業投資有限公司), South Pacific Hotel Hong Kong Co., Ltd. (南洋酒店(香港)有限公司)	Chairman	2012	to date
	Shanghai Guojing Leasing Co., Ltd. (上海國金租賃有限公司)	Vice Chairman	2014	to date
	Shanghai SIIC Group Finance Co., Ltd. (上海上實集團財務有限公司)	Director	2014	to date
	Shanghai SIIC Asset Operation Co., Ltd. (上海上實資產經營有限公司)	Chairman	2014	to date
	Shanghai SIIC Financial Services Holdings Co., Ltd. (上海上實金融服務控股有限公司)	Director	2015	to date
	Shanghai International Shanghai Growth Investment Limited (listed on the Hong Kong Stock Exchange, stock code: 0770)	Non-executive Director	2015	to date
	Shanghai Shangtou Asset Operation Co., Ltd. (上海上投資產經營有限公司)	Director	2015	to date
	Shanghai SIIC Investment Management Consulting Co., Ltd. (上海上實投資管理諮詢有限公司)	Chairman, President	2014	to date
Song Chunfeng	China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司)	Director	2017	to date
Chen Huifeng	Shanghai East Best International (Group) Co., Ltd. (上海東浩蘭生(集團)有限公司) (Forerunner: Shanghai East Best & Lansheng International (Group) Co., Ltd) (上海東浩蘭生國際服務貿易(集團)有限公司)	General Manager of Investment and Development Department	2013	to date
	Shanghai East Best Exhibition Group Co., Ltd. (上海東浩蘭生會展(集團)有限公司)	President	2016	to date
Positions of resigned Supervisor:				
Shou Weiguang	Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司)	Secretary of CPC Party Committee, Chairman	2017	to date
Positions of other senior management:				
Ren Peng	China-Belgium Direct Equity Investment Fund (中國-比利時直接股權投資基金)	Director	2011	to date
	Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司)	Chairman	2014	to date
	Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司) (Forerunner: Haitong UniTrust International Leasing Corporation) (海通恒信國際租賃有限公司)	Chairman	2014	to date

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

Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
	Haitong UniFortune International Leasing Co., Ltd (海通恒運國際租賃有限公司)	Chairman	2014	to date
	Haitong UniTrust Finance & Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司)	Chairman	2014	to date
	Shanghai UniCircle & Investment & Development Corporation (上海泛圓投資發展有限公司)	Director	2014	to date
Hiroki Miyazato	Haitong Bank, S. A. (海通銀行)	Chairman	2015	2017
	Haitong Bank, S. A. (海通銀行)	Chief Executive Officer	2016	2017
Pei Changjiang	Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)	Director	2014	to date
	Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司)	Chairman	2014	to date
	Haitong Futures Co., Ltd. (海通期貨股份有限公司)	Chairman	2015	to date
Li Chuqian	HFT Investment Management Co., Ltd. (海富通基金管理有限公司)	Chairman of the supervisory committee	2003	to date
	Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司)	Director	2010	to date
Li Jianguo	Haitong International Holdings Limited (海通國際控股有限公司)	Vice Chairman	2010	to date
	Haitong International Securities Group Limited (海通國際證券集團有限公司)	Executive Director	2010	to date
	Haitong International Securities Group Limited (海通國際證券集團有限公司)	Vice chairman of the Board	2010	to date
Chen Chunqian	E-Capital Transfer Co., Ltd. (證通股份有限公司)	Director	2015	to date
Zhang Xiangyang	Haitong Capital Investment Co., Ltd. (海通開元投資有限公司)	Chairman and Director of Investment Decision Committee	2012	to date
	Haitong Innovation Capital Management Co., Limited (海通創意資本管理有限公司)	Director	2016	to date
	Haitong M&A Capital Management (Shanghai) Limited (海通併購資本管理(上海)有限公司)	Chairman	2016	to date
Lin Yong	Haitong International Securities Group Limited (海通國際證券集團股份有限公司)	Executive Director	2009	to date
	Haitong International Securities Group Limited (海通國際證券集團股份有限公司)	Vice Chairman of the Board, Managing Director, Chief Executive Officer	2011	to date
	Haitong Bank, S. A. (海通銀行)	Non-Executive Director	2016	to date
	Haitong Bank, S. A. (海通銀行)	Chairman	2017	to date
Pan Guangtao	Haitong Bank, S. A. (海通銀行)	Non-Executive Director	2015	to date

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

Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
Positions of resigned senior management:				
Ji Yuguang	Haitong International Securities Group Limited (海通國際證券集團有限公司)	Non-executive Director	2010	2018
	Haitong International Securities Group Limited (海通國際證券集團有限公司)	Chairman of the Board	2011	2018
Huang Zhenghong	Haitong International Holdings Limited (海通國際控股有限公司)	Director	2010	2018
	Haitong International Holdings Limited (海通國際控股有限公司)	Chairman of the Board	2011	2018
	Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司)	Director	2014	2017
	Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司)	Director	2014	2017
	Haitong UniFortune International Leasing Co., Ltd (海通恒運國際租賃有限公司)	Director	2014	2017
	Shanghai UniCircle & Investment & Development Corporation (上海泛圓投資發展有限公司)	Director	2014	2017
	Haitong UniTrust Finance & Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司)	Director	2014	2017
	Shanghai Haitong Resources Management Co., Ltd. (上海海通資源管理有限公司)	Director	2013	2017
	HFT Investment Management Co., Ltd. (海富通基金管理有限公司)	Director	2016	2017

III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

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

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

Actual payments of remunerations of the Directors, Supervisors and senior management

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

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

The actual remuneration received in aggregate by all the Directors, Supervisors and senior management from the Company at the end of the Reporting Period is RMB51,408.6 thousand. (The total number above did not include remunerations senior management received from subsidiaries. The total amount of remuneration before tax received by the Directors, Supervisors and senior management from the Company during the Reporting Period included performance bonus attributable to the year of 2016.)

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

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

Name	Position	Particulars of changes	Reasons of changes
Wang Hongxiang	Non-executive Director	Resignation	Age reason
Li Guangrong	Independent non-executive Director	Resignation	Career development reason
Wu Yuezhou	Non-executive Director	Election	
Lam Lee G.	Independent non-executive Director	Election	
Shou Weiguang	Chairman of the Supervisory Committee	Resignation	Work arrangement reason
Yang Qingzhong	Vice Chairman of the Supervisory Committee	Resignation	Age reason
Qiu Xiaping	Employee representative Supervisor	Resignation	Age reason
Wu Hongwei	Vice Chairman of the Supervisory Committee	Election	
Rui Zhengxian	Employee representative Supervisor	Election	
Ji Yuguang	Deputy General Manager	Resignation	Age reason
Wang Jianye	Chief Risk Officer	Resignation	Change of job reason
Huang Zhenghong	Secretary to the Board, joint secretary of the Company, and the authorized representative (in terms of Rule 3.05 of the Hong Kong Listing Rules) and the authorized person who receives the password of the e-Submission system of the Hong Kong Stock Exchange and for subsequent registration matters	Resignation	Career development reason
Jiang Chengjun	Assistant to General Manager, Secretary to the Board, joint secretary of the Company, and the authorized representative (in terms of Rule 3.05 of the Hong Kong Listing Rules) and the authorized person who receives the password of the e-Submission system of the Hong Kong Stock Exchange and for subsequent registration matters	Appointment	
Du Hongbo	Chief Risk Officer	Appointment	
Pan Guangtao	Assistant to General Manager	Appointment	

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

On 24 August 2015, the Company received an Investigation Notice (Jin Zheng Diao Cha Zi No.2015011) from the CSRC. As the Company was suspected of illegal behavior, including not reviewing and recognizing the client identity as required, the CSRC decided to initiate investigation proceedings against the Company. On 10 September 2015, the Company received the Prior Notice of Administrative Penalty (Chu Fa Zi No. [2015] No. 73) from the CSRC. On 25 November 2016, the CSRC issued to the Company the Notice of Administration Penalty ([2016] No. 127), which found that the Company failed to certify and effectively manage the third-party trading software for end-users provided by Hundsun Technologies Inc. with dedicated access to the Company's Hangzhou Jiefang Road Securities Business Department and Shanghai Jianguo West Road Securities Business Department, and was lack of understanding of its customers. The Company was ordered to make rectification, warned and fined with all unlawful income confiscated. Meanwhile, the Company has complied with regulatory requirements, and the income and fines in question were fully accounted for in profit or loss for 2015. Since then, the Company has fully complied with the requirements of the CSRC and Shanghai Securities Regulatory Bureau of the CSRC for rectifying unlawful securities business activities, continuously monitored legacy issued to ensure no more access from any external system.

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

On 23 May 2017, the Company received the Prior Notice of Administrative Penalty (Chu Fa Zi No. [2017] No. 59) from the CSRC, alleging that the Company failed to enter into business contracts with clients as required or to include required provisions in business contracts with clients in its margin financing and securities lending business and therefore the CSRC intends to impose administrative penalty on the Company, details of which were set out in the announcement of the Company dated 24 May 2017. Employees involved in the case have made representation and defence in accordance with stated procedures, pending further opinion on resolution.

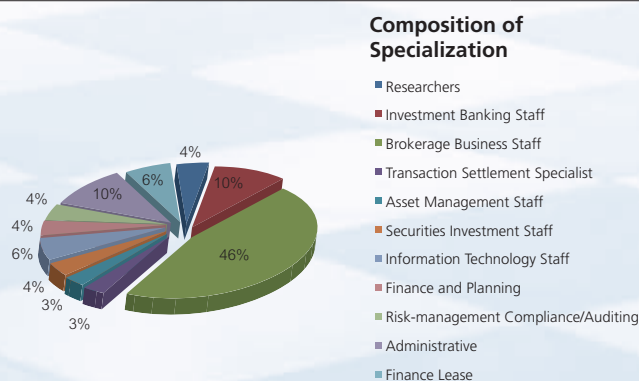
VI. PARTICULARS ABOUT STAFF OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

(I) Particulars about Staff

Number of existing employees of the Company (persons)	5,718
Number of existing employees of major subsidiaries (persons)	4,366
Total number of existing employees (persons)	10,084
Total number of retired workers the Company and its major subsidiaries should bear costs for (persons)	33

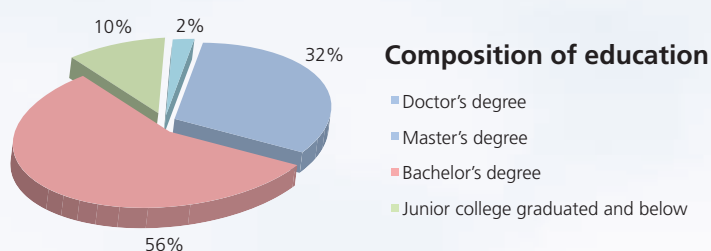
Composition of Specialization

<u>Category of Specialization</u>	<u>Number of Person</u>
Researchers	438
Investment Banking Staff	1,036
Brokerage Business Staff	4,618
Transaction Settlement Specialist	299
Asset Management Staff	307
Securities Investment Staff	420
Information Technology Staff	556
Finance and Planning	369
Risk-management Compliance/Auditing	410
Administrative	1,011
Finance Lease	620
Total	10,084



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

Education	
Highest Level of Education Attained	Number of Persons
Doctor's degree	159
Master's degree	3,239
Bachelor's degree	5,641
Junior college graduated and below	1,045
Total	10,084



(II) Remuneration Policies

As at the end of the Reporting Period, the Group had 10,084 employees, of whom 5,718 were from the Company, and 4,366 were from subsidiaries.

The Company emphasizes talent attraction, motivation, training and use, and has established a series of remuneration system which are consistent with the practical situation of the Company. We implement a remuneration system under which remunerations are determined based on the market levels and the individual performance appraisal results. The remuneration package generally comprises fixed salary, performance-pay, and benefits. Under the relevant laws and regulations, the Company enters into a labor contract and establishes employment relationship with each of its employees. A labor contract contains the provisions relating to contract term, working hours, rest and vacation, labor remuneration and insurance benefits, labor protection and conditions, as well as modification and termination of the contract. The Company purchases various social insurance policies (pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and establishes housing funds for its employees, and makes social insurance and housing funds contributions in full in accordance with applicable regulations. Meanwhile, the Company also established a corporate annuity system which provides supplemental pension protection for employees in accordance with applicable regulations.

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

(III) Training Plans

In 2017, the Company built on a training system aligned to its needs for development by implementing training by type and level pursuant to employees' growth path based on the Haitong Wealth Management Academy platform with a focus on employees' needs for training. During 2017, the Company organized and carried out 587 training projects including face-to-face training, online training and secondment, while offering 539 new programs, online and offline, supported by 125 in-house trainers. The Company further improved the capabilities of the three-pronged Haitong Wealth Management Academy platform with 9 iteration updates, and won the Best Learning Ecosystem Operation Award in the BOOAO Awards 2017 at the China E-Learning Forum and Exhibition.

In 2018, the Company will develop a group-wide training system by integrating internal and external training resources on the back of Haitong Wealth Management Academy guided by linkage to strategy and performance, targeting at knowledge management, people development, cultural heritage, innovation and collaboration. It will focus on four areas, including the streamlining and standardization of training management, multi-level and extensive training projects, diversified and systematic resource base development, as well as intelligent and scenario-based platform development, to effectively promote the consistent growth of employees and the development of management pipeline, maximizing the support delivered by training for the Company's people development strategy and performance improvement.

(IV) Particulars about Labour Outsourcing

Total working hours involved in labor outsourcing	959,462 hours
Total compensation paid for labor outsourcing	RMB35,221,900

VII. OTHERS

Information of Commissioning Brokers Engaging in Soliciting Customers and Servicing Customers

Since the Company has acquired the securities brokerage qualification in 2009, the Company has strictly and intensively managed securities brokers in accordance with inspection opinions and internal systems regulated in the Interim Provisions on the Administration of Securities Brokers ([2009] No. 2 CSRC) and On-site Inspection Opinion on Securities Broker System (Hu Zheng Jian Ji Gou Zi [2009] No.302). Through the improvement of rules and regulations, internal control mechanisms, improving and supporting system and internal training, the occupational practice of securities brokers is further regulated and customers' legal rights and interests are safeguarded. As at the end of the Reporting Period, the Company has already had 269 securities business departments with 6,217 securities brokers, among which, 6,103 securities brokers have completed registration in Securities Association of China.

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

Securities brokers engaging in soliciting customers and servicing customers authorized by the Company are affiliated with the securities business department directly and have to comply with the brokers' codes of conduct as well as the Company's regulations and rules. Customers can go through and check brokers' occupational registration information through ways such as visiting the Company's website, checking on-site information disclosed by the business department and calling 95553, the unified customer service hotline. The Company has established risk monitoring platform to monitor, give early warning and track the transaction of broker's customers so as to effectively control brokerage risks. As the chief management officer, the director of the business department is comprehensively and specifically in charge of the management of its own department's brokers and is subject to the management, coordination, supervision and inspection of the corporate headquarter. Securities business department will pay a return visit to customers that the securities brokers have solicited and served on a regular basis to understand the particulars of broker's practice through personal interviews, phone calls, letters or other ways. In 2017, the Company further reinforced training for securities brokers on compliant business practice and standardized practice management.

SECTION IX CORPORATE GOVERNANCE

I. DESCRIPTION OF CORPORATE GOVERNANCE

(I) Overview of Corporate Governance

As a public company listed on both Mainland China and Hong Kong, the Company operates in strict compliance with laws, regulations and regulatory documents in the places where the shares of the Company are listed, and is dedicated to maintaining and improving its good market image. Pursuant to the Company Law, the Securities Law, relevant regulations of the CSRC, the Hong Kong Listing Rules and other relevant regulations, the Company has been continuously improving its corporate governance structure and has further established its sound compliance and risk management system and internal control management mechanism. The Company has also formed a corporate governance structure under which the general meeting, the Board, the Supervisory Committee and the management are separated from and can check and balance each other, which enables all levels to perform their respective duties and obligations within their respective responsibilities and powers and ensures the standardized operations of the Company, and the scientific, standardized and transparent corporate governance. The procedures and regulations for convening and holding the Company's general meetings, Board meetings and meetings of the Supervisory Committee and the voting mechanisms with respect thereto are legal and valid, with information disclosed in a true, accurate, complete, timely and fair manner. The Company has, strictly in compliance with relevant provisions of the Corporate Insider Registration System, strengthened the management of the Company's inside information and well organised the work of insider registration, with professional management of investor relations.

During the Reporting Period, according to the Company Law, Guidelines for the Articles of Association of Listed Companies, Norms for Overall Risk Management of Securities Companies newly amended by the CSRC and the actual conditions of the Company, the Company has amended the Articles of Association, Rules of Procedure for Board Meetings of the Company and Rules of Procedure for the Supervisory Committee of the Company. The amendments specified that the CPC plays a key political role in the Company. Meanwhile, amendments were also made to contents relating to the Company's overall risk management, specifying the Chief Information Officer and Chief Risk Officer belong to senior management of the Company, and the number of Supervisors in the Supervisory Committee, further optimizing and perfecting the Company's corporate governance structure. Moreover, according to relevant provisions of the latest Administrative Measures on Compliance of Securities Companies and Securities Investment Fund Management Companies promulgated by the CSRC (Zheng Jian Hui Ling No. 133) and the actual conditions of the Company, the Company has amended contents relating to compliance management in the Articles of Association, Rules of Procedure for Board Meetings of the Company and Rules of Procedure for Meetings of the Supervisory Committee. The amendments have been considered and approved by the general meeting but will only take effect upon approval by regulatory authorities.

SECTION IX CORPORATE GOVERNANCE

During the Reporting Period, the Company has complied with all the provisions of the Code and has satisfied the majority of the recommended best practice provisions therein.

During the Reporting Period, the Company convened 29 meetings in total, including 3 general meetings, 7 meetings of the Board, 5 meetings of the Supervisory Committee, 2 annual report work meetings of independent non-executive Directors, 5 meetings of the Audit Committee, 2 meetings of the Nomination, Remuneration and Assessment Committee, 2 meetings of the Development Strategy and Investment Management Committee and 3 meetings of the Compliance and Risk Control Committee.

(II) Formulation and Implementation of the Insider Management System

During the Reporting Period, in major events such as the preparation of periodic reports, the Company, as required by the Insider Registration System, performed well in inside information management and insider registration, and truly and completely recorded the list of all insiders involved in the reporting, delivery, preparation, auditing and disclosure before publication of the inside information as well as the files concerning the contents of the inside information known by the insider and the timing thereof to facilitate enquiries made by the Company and relevant regulatory authorities. During the Reporting Period, no violation of the Insider Registration System by the Company has occurred and the said system was well implemented.

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

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

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

SECTION IX CORPORATE GOVERNANCE

II. BRIEFING OF THE GENERAL MEETINGS

<u>Session of the meeting</u>	<u>Date of the meeting</u>	<u>Query index of the designated website for resolutions disclosure</u>	<u>Disclosure date of resolutions</u>
Annual general meeting for the year 2016	6 June 2017	http://www.sse.com.cn http://www.hkexnews.hk	7 June 2017 6 June 2017
First A Share class meeting for the year 2017	6 June 2017	http://www.sse.com.cn http://www.hkexnews.hk	7 June 2017 6 June 2017
First H Share class meeting for the year 2017	6 June 2017	http://www.sse.com.cn http://www.hkexnews.hk	7 June 2017 6 June 2017

Briefing of the general meetings:

During the Reporting Period, on 6 June 2017, the Company held the 2016 annual general meeting at Pine City Hotel, in Shanghai, the PRC and 17 resolutions were considered, including: 1. the Report of the Board of Directors of the Company for the Year 2016; 2. the Report of the Supervisory Committee of the Company for the Year 2016; 3. the Annual Report of the Company for the Year 2016; 4. the Final Accounts Report of the Company for the Year 2016; 5. the Profit Distribution Proposal of the Company for the Year 2016; 6. the Renewal of Engagement of A Share Auditing Firm and H Share Auditing Firm for the Year 2017; 7. the Proposal regarding Investment Asset Allocation of Equity and Non-equity Products of the Company; 8. the Proposal regarding Daily Related Party Transactions of the Company for the Year 2017; 9. the Proposal regarding the Compliance of the Overseas Listing of Haitong UniTrust International Leasing Corporation with the Circular on Issues in Relation to Regulating Offshore Listing of Subsidiaries of Domestic Listed Companies; 10. the Proposal regarding the Plan of the Overseas Listing of Haitong UniTrust International Leasing Corporation; 11. the Proposal regarding the Undertaking of the Company to Maintain its Independent Listing Status after the Listing of Haitong UniTrust International Leasing Corporation; 12. the Proposal regarding the Description of the Sustainable Profitability and Prospects of the Company after the Listing of Haitong UniTrust International Leasing Corporation; 13. the Proposal on Advising the General Meeting to Grant Authorization to the Board and Persons Authorized by the Board to Deal with the Overseas Listing Matters of Haitong UniTrust International Leasing Corporation in their Sole Discretion; 14. the Proposal regarding Provision of Assured Entitlement only to the Holders of H Shares of the Company for the Spin-Off and Overseas Listing of Haitong UniTrust International Leasing Corporation; 15. the Proposal regarding Proposed Amendments to the Articles of Association, the Rules of Procedure for Board Meetings and the Rules of Procedure for the Supervisory Committee; 16. the Proposal regarding the Grant of General Mandate to Authorize, Allot or Issue A Shares and/or H Shares; 17. the Proposal regarding the Appointment of Mr. Wu Yuezhou as a Non-Executive Director of the Company. In particular, proposals numbered 1 to 13 and 17 were ordinary resolutions, while proposals numbered 14 to 16 were special resolutions. Relevant resolutions were published on the websites of the Shanghai Stock Exchange (<http://www.sse.com.cn>), the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.htsec.com>) on the day of the relevant meeting, and published on China Securities Journal, Shanghai Securities News and Securities Times on 7 June 2017.

SECTION IX CORPORATE GOVERNANCE

On 6 June 2017, the Company held the first A Shares class meeting of 2017 and the first H Shares class meeting of 2017 at Pine City Hotel, Shanghai, the PRC. One resolution was considered and approved: the Proposal regarding the Provision of Assured Entitlement only to the Holders of H Shares of the Company for the Spin-Off and Overseas Listing of Haitong UniTrust International Leasing Corporation (namely, the first special resolution considered at the 2016 annual general meeting). The relevant resolution was published on the websites of the Shanghai Stock Exchange (<http://www.sse.com.cn>), the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.htsec.com>) on the date of the meeting, and published on China Securities Journal, Shanghai Securities News and Securities Times on 7 June 2017.

III. PERFORMANCE OF DUTIES BY DIRECTORS

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

Profiles of the Directors as at the date of this Report are set out in Section VIII of this Report. None of the Directors, the Supervisors or the senior management has any relations with each other (including financial, business, kinship or other material or connected relations). The Board is structurally scientific, and each Director has adequate knowledge, experience and capacity relating to the business operations and developments of the Group. All Directors are well aware of their joint and several responsibilities to the shareholders.

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

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

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

SECTION IX CORPORATE GOVERNANCE

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

Name of Director	Independent non-executive Director or not	Attendance at the Board meetings					Attendance at the general meetings	
		Number of attendances as required during the year	Number of attendances in person	Number of attendances by correspondence	Number of attendances by proxy	Number of absences	Absence from two consecutive meetings or not	Number of attendances at general meetings
Zhou Jie	No	7	5	2	0	0	No	3
Qu Qiuping	No	7	4	2	1	0	No	3
Yu Liping	No	7	4	2	1	0	No	0
Chen Bin	No	7	3	2	2	0	No	3
Xu Jianguo	No	7	5	2	0	0	No	3
Wu Yuezhou	No	3	3	0	0	0	No	0
Zhang Xinmei	No	7	5	2	0	0	No	3
Shen Tiedong	No	7	3	2	2	0	No	3
Liu Cheeming	Yes	7	5	2	0	0	No	3
Xiao Suining	Yes	7	5	2	0	0	No	3
Feng Lun	Yes	7	3	2	2	0	No	0
Zhang Ming	Yes	7	5	2	0	0	No	0
Lam Lee G.	Yes	4	4	0	0	0	No	0
Wang Hongxiang (resigned)	No	4	2	2	0	0	No	0
Li Guangrong (resigned)	Yes	3	0	2	1	0	No	0

SECTION IX CORPORATE GOVERNANCE

Description of absence from two consecutive Board meetings

✓ Not applicable

Number of Board meetings convened during the year	7
Including: Number of meetings held onsite	1
Number of meetings held via correspondence	2
Number of meetings held onsite and via correspondence simultaneously	4

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

During the Reporting Period, the Board convened 7 meetings in total, details of which are as follows:

1. On 20 January 2017, the 21st meeting of the sixth session of the Board was held via correspondence, at which the Board considered and approved the Proposal regarding Public Transfer of 100% Equity Interest of Shanghai Weitai Properties Management Co., Ltd. and Debt of the Target Company Owned by the Transferor Amounting to RMB101,916,074.25.
2. On 24 February 2017, the 22nd meeting of the sixth session of the Board was held via correspondence, at which the Board considered and approved the Proposal regarding the Adjustment of Organizational Structure of the Company and the Proposal for Haitong Futures Co., Ltd. to Increase the Capital in Haitong Futures Hong Kong Limited.
3. On 29 March 2017, the 23rd meeting of the sixth session of the Board was held onsite, at which the Board considered and approved the Annual Report of the Company for the Year 2016, the Final Accounts Report of the Company for the Year 2016, the Profit Distribution Proposal of the Company for the Year 2016, the Internal Control Evaluation Report of the Company for the Year 2016, the Compliance Report of the Company for the Year 2016, the Proposal regarding the Renewal of Engagement of Auditing Firms, the Report on Performance of Duties of the Audit Committee under the Board of Directors for the Year 2016, the Report of the Board of Directors of the Company for the Year 2016, the Work Report of the Independent Directors for the Year 2016, the Corporate Social Responsibility Report of the Company for the Year 2016, the Proposal regarding Investment Asset allocation of Equity and Non-Equity Products of the Company, the Proposal regarding the Grant of General Mandate to Authorize, Allot or Issue A Shares and/or H Shares, the Proposal regarding Daily Related Party Transactions of the Company

SECTION IX CORPORATE GOVERNANCE

for the Year 2017, the Proposal regarding Proposed Amendments to the Articles of Association and the Rules of Procedure for Board Meetings, the Proposal regarding the Amendments to the Overall Risk Management Measures of the Company and the Liquidity Risk Management Measures of the Company, the Proposal regarding the Adjustment of Risk Tolerance Indicators of the Company, the Proposal regarding the Company's Overall Risk Management Plan, the Proposal regarding the Compliance of the Overseas Listing of Haitong UniTrust International Leasing Corporation with the Circular on Issues in Relation to Regulating Offshore Listing of Subsidiaries of Domestic Listed Companies, the Proposal regarding the Plan of the Overseas Listing of Haitong UniTrust International Leasing Corporation, the Proposal regarding the Undertaking of the Company to Maintain its Independent Listing Status after the Listing of Haitong UniTrust International Leasing Corporation, the Proposal Regarding the Description of the Sustainable Profitability and Prospects of the Company after the Listing of Haitong UniTrust International Leasing Corporation, the Resolution on Advising the General Meeting to Grant Authorization to the Board and Persons Authorized by the Board to Deal with the Overseas Listing Matters of Haitong UniTrust International Leasing Corporation in Their Sole Discretion, the Proposal regarding Provision of Assured Entitlement only to the Holders of H Shares of the Company for the Spin-off and Overseas Listing of Haitong UniTrust International Leasing Corporation, the Proposal for Asset Restructuring and Transformation in Haitong UniTrust International Leasing Corporation, the Proposal on Increasing the Capital in Haitong Bank, the Proposal on Increasing the Capital in Haitong International Holdings, the Proposal on Increasing the Capital in Haitong Innovation Securities Investment Co., Ltd., the Proposal regarding the General Mandate concerning Purchase of Office Occupancy of the Company, the Proposal regarding the Results of Assessment on the Company's Management in 2016, the Proposal on Granting Special Awards to the Company's Senior Management for Their Business Performance in the Year 2016, the Proposal on Evaluation and Incentive Plan of Senior Management for the Year 2017, the Proposal on Convening of the Annual General Meeting of the Year 2016, the First A Shareholders' Class Meeting of the Year 2017 and the First H Shareholders' Class Meeting of the Year 2017, the Proposal regarding the Engagement of Senior Management, and the Proposal regarding the Engagement of Secretary to the Board.

4. On 27 April 2017, the 24th meeting of the sixth session of the Board was held onsite and by means of teleconference simultaneously, at which the Board considered and approved the First Quarterly Report for the Year 2017, the Proposal regarding the Provision of Joint and Several Guarantee for Offshore Debt Financing by Wholly-owned Offshore Subsidiary, and the Proposal regarding the Implementation of Professional Manager Plan of Haitong Securities Co., Ltd.

SECTION IX CORPORATE GOVERNANCE

5. On 29 August 2017, the 25th meeting of the sixth session of the Board was held onsite and by means of teleconference simultaneously, at which the Board considered and approved the Proposal regarding the Interim Report of the Company for the Year 2017, the Interim Compliance Report of the Company for the Year 2017, the Proposal regarding the Adjustments to the Company's Liquidity Risk Tolerance, the Proposal regarding the Provision of Joint and Several Guarantee for Offshore Debt Financing by Wholly-owned Offshore Subsidiary, the Proposal regarding Proposed Amendments to the Articles of Association and the Rules of Procedure for Board Meetings, the Proposal regarding the Amendments to the Terms of Reference of the Compliance and Risk Control Committee under the Board, the Proposal regarding the Renewal the Engagement of BDO and the Proposal regarding the Election of Mr. Wu Yuezhou as a Member of the Nomination, Remuneration and Assessment Committee and a Member of the Audit Committee of the Sixth Session of the Board.
6. On 27 October 2017, the 26th meeting of the sixth session of the Board was held onsite and by means of teleconference simultaneously, at which the Board considered and approved the Third Quarterly Report of the Company for the Year 2017, the Proposal regarding the Formulation of the Company's Compliance Management Measures and the Proposal regarding the Amendments to the Company's Auditing and Inspection Management Measures.
7. On 15 December 2017, the 27th meeting of the sixth session of the Board was held onsite and by means of teleconference simultaneously, at which the Board considered and approved the Proposal on Requiring Haitong Capital to Transfer the Equity of Haitong UniTrust within Prescribed Period, the Proposal regarding the Acquisition of the Subsidiaries of Haitong Bank in the UK and the US by Haitong International Securities and the Proposal regarding the Purchase of Office Buildings for Haitong International Securities.

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

During the Reporting Period, independent non-executive Directors of the Company had no objections to proposals of the Board and other proposals. Please refer to "Attendances of Directors at Board Meetings and General Meetings" of this Section for attendances of independent non-executive Directors at general meetings, Board meetings and meetings of special committees. Please refer to the Work Report of the Independent Directors for the Year 2017 of Haitong Securities Co., Ltd. to be disclosed by the Company on the website of the Shanghai Stock Exchange on 27 March 2018 for the details of the performance of duties of independent non-executive Directors.

SECTION IX CORPORATE GOVERNANCE

(III) Others

Powers and Duties of the Board and the Management

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

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

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

1. Chairman and General Manager

The Chairman and the general manager (i.e. chief executive officer under the Hong Kong Listing Rules) of the Company are held by different individuals to secure the independence of their respective duties, accountabilities and balanced distribution of rights and authorizations. Mr. Zhou Jie serves as the Chairman and Mr. Qu Qiuping serves as the general manager. The Rules of Procedure for Board Meetings and Terms of Reference for the General Manager considered and approved by the Board clearly define the duties of the Chairman and the general manager respectively.

Chairman Mr. Zhou Jie is responsible for leading the Board to determine the overall development strategy of the Company and ensuring the Board's effective operation, performance of its statutory duties and timely discussion of all important and appropriate issues. The Chairman has to ensure that the Company formulates sound corporate governance practices and procedures and the Board acts for the best interest of the Company and all shareholders. General Manager Mr. Qu Qiuping is mainly responsible for daily operation and management of the Company, including organizing and implementing the resolutions of the Board and daily decision making.

SECTION IX CORPORATE GOVERNANCE

2. Directors' Appointment and Re-election

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

3. Terms of Office of Non-executive Directors

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

4. Directors' Remunerations

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

5. Directors' Trainings

The Company highly emphasizes the continuous trainings for Directors to ensure that Directors have adequate knowledge of the Company's operations and businesses and their duties imposed by the CSRC, the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the Articles of Association and other relevant laws and regulations. During the Reporting Period, apart from participating in the regular trainings organized by local regulatory authorities to complete continued trainings as required, Directors also receive from the office of the Board of the Company regularly compiles and delivers Newsletter of Directors and Supervisors (12 issues in total for 2017) and Regulations of Securities Market and Case Analysis (4 issues in total for 2017). All Directors (including executive Directors Zhou Jie and Qu Qiuping; non-executive Directors Yu Liping, Chen Bin, Wu Yuezhou, Xu Jianguo, Zhang Xinmei and Shen Tiedong; independent non-executive Directors Liu Cheeming, Xiao Suining, Feng Lun, Zhang Ming and Lam Lee G.) received day-to-day training in 2017, while the resigned non-executive Director Wang Hongxiang and the resigned independent non-executive Director Li Guangrong also received 3 issues of Newsletter of Directors and Supervisors and one issue of Regulations of Securities Market and Case Analysis, and completed the written training. These trainings allowed the Directors to be timely informed of the latest policies, regulations and classic cases. The Company has also built multi-level information communication mechanisms and set up an

SECTION IX CORPORATE GOVERNANCE

information exchange platform to strengthen information sharing and exchanging among Directors, Supervisors and the management and improved Directors' duty performance capability. Apart from that, other trainings participated by the Directors are specified as follows:

<u>Name of Director</u>	<u>Date</u>	<u>Duration</u>	<u>Organiser</u>	<u>Content</u>	<u>Place of training</u>
Zhang Xinmei	25 July 2017- 27 July 2017	3 days	Shanghai National Accounting Institute	Continuing education for senior accountant	Shanghai
Lam Lee G.	16 May 2017	1 hour	Sunwah Kingsway Capital Holdings Limited	SFC issued Guidance Note on directors' duties regarding corporate transactions and independent valuations SFC Guidance Note Summary-Valuations SFC Guidance Note-Directors Duties on Valuation	/
	9 June 2017	1 hour	Lovable International Holdings Limited	Training on directors	Teleconference
	13 June 2017	1 hour	Elife Holdings Limited	Overview of Hong Kong Listing Rules and ordinances updates	Read documents
	15 June 2017	1 hour	Sunwah Kingsway Capital Holdings Limited	SFC Elaborates on the Liabilities of Directors and Senior Executives	Read documents
	17 June 2017	3 hours and 15 minutes	LexOmnibus (http://www. lexomnibus.com/)	CPD Training Certificate Programme (three CPD points)	Training Center of LexOmnibus

SECTION IX CORPORATE GOVERNANCE

Name of Director	Date	Duration	Organiser	Content	Place of training
	18 August 2017	3 hours and 15 minutes	LexOmnibus	CPD Training Certificate Programme (three CPD points)	Training Center of LexOmnibus
	19 August 2017	3 hours and 15 minutes	LexOmnibus	CPD Training Certificate Programme (three CPD points)	Training Center of LexOmnibus
	31 August 2017	1 hour	Adamas Finance Asia Limited	The key implications of being on AIM/Training on directors	Teleconference
	1 September 2017	3 hours and 15 minutes	LexOmnibus	CPD Training Certificate Programme (three CPD points)	Training Center of LexOmnibus
	16 September 2017	3 hours and 15 minutes	LexOmnibus	CPD Training Certificate Programme (three CPD points)	Training Center of LexOmnibus
	25 September 2017	0.5 hour	Xi'an Haitiantian Holdings Co., Ltd.	Training on directors	Loeb & Loeb LLP
	26 September 2017	0.5 hour	Roma Group Limited	Training on directors	Michael Li & Co.
	3 October 2017	0.5 hour	Hua Long Jin Kong Company Limited	Training on directors	Paul Hastings LLP

SECTION IX CORPORATE GOVERNANCE

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

(I) Special Committees of the Board and their Members

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

1. Development Strategy and Investment Management Committee: Zhou Jie (Chairman), Liu Cheeming, Xiao Suining, Yu Liping, Chen Bin, Xu Jianguo, (Li Guangrong) Lam Lee G.
2. Compliance and Risk Control Committee: Xiao Suining (Chairman), Liu Cheeming, Feng Lun, Qu Qiuping, Chen Bin, Zhang Xinmei
3. Nomination, Remuneration and Assessment Committee: (Li Guangrong) Liu Cheeming (Chairman), Xiao Suining, Zhang Ming, Yu Liping, (Wang Hongxiang) Wu Yuezhou, Shen Tiedong, Lam Lee G.
4. Audit Committee: Zhang Ming (Chairman), Liu Cheeming, Feng Lun, Zhang Xinmei, Xu Jianguo, (Wang Hongxiang) Wu Yuezhou, (Li Guangrong) Lam Lee G.

Note: Please refer to "Changes in Directors" in Section VIII of this Report for the changes of special committees of the Board and their members.

(II) Duties of the Special Committees and their Meetings

1. Compliance and Risk Control Committee

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

SECTION IX CORPORATE GOVERNANCE

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

- The first meeting of the Compliance and Risk Control Committee in 2017 was convened onsite on 27 March 2017, in which the Internal Control Evaluation Report of the Company for the Year 2016, the Compliance Report of the Company for the Year 2016, the Risk Assessment Report of the Company for the Year 2016, the Proposal regarding the Amendments to the Comprehensive Risk Management Measures of the Company and the Liquidity Risk Management Measures of the Company, the Proposal regarding the Adjustment of Risk Tolerance Indicators of the Company, the Proposal regarding the Company's Comprehensive Risk Management Plan, and the Proposal regarding Proposed Amendments to the Articles of Association and the Rules of Procedure for Board Meetings were considered and approved.
- The second meeting of the Compliance and Risk Control Committee in 2017 was convened onsite on 28 August 2017, in which the Interim Compliance Report of the Company for the Year 2017, the Interim Risk Assessment Report of the Company for the Year 2017, the Proposal regarding the Adjustments to the Company's Liquidity Risk Tolerance, the Proposal regarding Proposed Amendments to the Articles of Association and the Rules of Procedure for Board Meetings, and Proposal regarding the Amendments to the Terms of Reference of the Compliance and Risk Control Committee under the Board of Directors were considered and approved.
- The third meeting of the Compliance and Risk Control Committee in 2017 was convened on 26 October 2017 via correspondence regarding, in which the Proposal regarding the Formulation of the Company's Compliance Management Measures was considered and approved, the Committee also listened to the Report on the Implementation of Compliance Management Measures and Implementation Guidelines on Securities Companies.

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

Name	Number of actual attendances/ number of attendances as required
Xiao Suining	3/3
Liu Cheeming	3/3
Feng Lun	2/3
Qu Qiuping	3/3
Chen Bin	3/3
Zhang Xinmei	3/3

SECTION IX CORPORATE GOVERNANCE

2. *Audit Committee*

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

The Audit Committee convened meetings to consider relevant matters according to relevant provisions of the Terms of Reference of the Audit Committee under the Board of Directors and improved working efficiency and scientific decision-making. The Audit Committee carefully performed its duties by actively participating in the preparation, audit and disclosure of the annual financial reports according to Work Procedures for Annual Reports of the Audit Committee under the Board of Directors. The Audit Committee fully communicated with certified public accountants to jointly formulate audit project plans in 2017 for the Company. The audit work in 2017 of the Company was arranged under the guidance of the Audit Committee, which ensured the independence of the audit and the improvement of audit quality to safeguard the overall interest of the Company and its shareholders. The Audit Committee and its members, abiding by relevant laws and regulations, gave full play to the audit and supervision role by conducting work diligently, and served an important role in improving the corporate governance structure and audit quality. During the Reporting Period, the Audit Committee held five meetings in total, as specified below:

- The first working meeting in 2016 annual report of the Audit Committee was convened onsite on 16 January 2017, and the main contents of the meeting were: learning relevant documents from the regulatory authorities on dealing with annual report of 2016 of listing companies, listening to the Chief Financial Officer's brief financial report of 2016 of the Company (parent company), discussing with certified public accountants (BDO China and Deloitte) of the annual-audit to formulate the annual audit work plans, and reviewing the (unaudited) financial statement of 2016 (of the parent company) prepared by the finance department of the Company and asking the Audit Committee to provide written opinions.

SECTION IX CORPORATE GOVERNANCE

- The second working meeting in 2016 annual report of the Audit Committee was convened onsite on 28 March 2017, in which the Financial Report and Special Report of the Company (Audited or Reviewed Draft) for the Year 2016, Opinions of the Audit Committee on the Certified Public Accountants' Engagement in Audit Work for the Year, the Proposal regarding the Renewal of Engagement of Auditing Firms, the Proposal regarding Daily Related Party Transactions of the Company for the Year 2017, the Internal Control Evaluation Report of the Company for the Year 2016, the Report on Performance of Duties of the Audit Committee under the Board for the Year 2016 were considered and approved. In this meeting, the Committee also listened to the Company's Report on Annual Financial Accounts for the year 2016 and Annual Financial Budget for the year 2017, the Report on Preliminary Results of Annual Audit of Certified Public Accountants in 2016 and the Social Responsibility Report of the Company for the Year 2016, and the list of the latest related persons was also confirmed.
- The 2017 first Quarterly Report meeting of the Audit Committee was convened on 26 April 2017 via correspondence considered and approved the First Quarterly Report of the Company for the Year 2017.
- The 2017 Semi-annual Report Meeting of Audit Committee was convened onsite on 28 August 2017, in which the Statement on Financial Position for the First Half of 2017 of the Company (A Shares+H Shares) and the Proposal regarding the Renewal of Engaging of BDO China were considered and approved. The Committee also listened to the Statement on Financial Position for the First Half of 2017 of the Company (A Shares+H Shares) and the list of related persons was also confirmed.
- The 2017 Third Quarterly Report meeting of the Audit Committee was convened on 26 October 2017 via correspondence, in which the Third Quarterly Report of the Company for the Year 2017 and the Proposal regarding the Amendments to the Company's Auditing and Inspection Management Measures were considered and approved.

SECTION IX CORPORATE GOVERNANCE

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

Name	Number of actual attendances/ number of attendances as required
Zhang Ming	5/5
Liu Cheeming	5/5
Feng Lun	5/5
Zhang Xinmei	5/5
Xu Jianguo	5/5
Wu Yuezhou	2/2
Lam Lee G.	3/3
Wang Hongxiang (resigned)	3/3
Li Guangrong (resigned)	0/2

3. *Development Strategy and Investment Management Committee*

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

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

- The first meeting of the Development Strategy and Investment Management Committee in 2017 was convened onsite on 28 March 2017, in which the Proposal regarding Investment Asset Allocation of Equity and Non-equity Products of the Company, the Proposal regarding the Compliance of the Overseas Listing of Haitong UniTrust International Leasing Corporation with the Circular on Issues in Relation to Regulating Offshore Listing of Subsidiaries of Domestic Listed Companies, the Proposal regarding the Plan of the Overseas Listing of Haitong UniTrust International Leasing Corporation, the Proposal regarding the Undertaking of the Company to Maintain its Independent Listing Status after the Listing of Haitong UniTrust International Leasing Corporation, the Proposal regarding the Description of the

SECTION IX CORPORATE GOVERNANCE

Sustainable Profitability and Prospects of the Company after the Listing of Haitong UniTrust International Leasing Corporation, the Proposal on Advising the General Meeting to Grant Authorization to the Board and Persons Authorized by the Board to Deal with the Overseas Listing Matters of Haitong UniTrust International Leasing Corporation in Their Sole Discretion, the Proposal regarding Provision of Assured Entitlement only to the Holders of H Shares of the Company for the Spin-off and Overseas Listing of Haitong UniTrust International Leasing Corporation, the Proposal for Asset Restructuring and Transformation in Haitong UniTrust International Leasing Corporation, the Proposal on Increasing the Capital in Haitong Bank, the Proposal on Increasing the Capital in Haitong International Holdings, and the Proposal on Increasing the Capital in Haitong Innovation Securities Investment Co., Ltd. were considered and approved, the Committee also listened to the Report on Business Operations of the Company for the Year 2016 and Business Plan of the Company for the Year 2017, the Implementation Report of the Board's Proposals for the Year 2016, the Implementation Report of the Authorization of the General Meetings and the Board.

- The second meeting of the Development Strategy and Investment Management Committee in 2017 was convened on 13 December 2017 via correspondence, in which the Proposal on Requiring Haitong Capital to Transfer the Equity of Haitong UniTrust within Prescribed Period, the Proposal regarding the Acquisition of the Subsidiaries of Haitong Bank in the UK and the US by Haitong International Securities and the Proposal regarding the Purchase of Office Buildings for Haitong International Securities were considered and approved.

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

<u>Name</u>	<u>Number of actual attendances/ number of attendances as required</u>
Zhou Jie	2/2
Liu Cheeming	2/2
Xiao Suining	2/2
Yu Liping	2/2
Chen Bin	2/2
Xu Jianguo	2/2
Lam Lee G.	0/0
Li Guangrong (resigned)	1/2

SECTION IX CORPORATE GOVERNANCE

4. *Nomination, Remuneration and Assessment Committee*

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

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

SECTION IX CORPORATE GOVERNANCE

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

- The first meeting of the Nomination, Remuneration and Assessment Committee in 2017 was convened onsite on 28 March 2017, in which the Proposal regarding the Results of Assessment on the Company's Management in 2016, the Proposal regarding the Individual Awards for the Management of the Company for the Year 2016, the Proposal regarding the Appraisal and Incentive for Senior Management of the Company for the Year 2017, the Proposal regarding Proposed Amendments to the Articles of Association and the Rules of Procedure for Board Meetings, the Proposal regarding the Engagement of Senior Management, and the Proposal regarding the Engagement of Secretary to the Board were considered and approved, the Committee also listened to the Report on Business Operations of the Company for the Year 2016 and Business Plan of the Company for the Year 2017, and the Labor Cost Budget Report for the Year 2017.
- The second meeting of Nomination, Remuneration and Assessment Committee in 2017 was convened on 26 April 2017 via correspondence, in which the Proposal regarding the Implementation of Professional Manager Plan of Haitong Securities Co., Ltd. was considered and approved.

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

Name	Number of actual attendances/ number of attendances as required
Liu Cheeming	2/2
Xiao Suining	2/2
Zhang Ming	2/2
Yu Liping	2/2
Wu Yuezhou	0/0
Shen Tiedong	2/2
Lam Lee G.	1/1
Li Guangrong (resigned)	0/1
Wang Hongxiang (resigned)	2/2

SECTION IX CORPORATE GOVERNANCE

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

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

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

Name of Supervisors	Number of the meetings of Supervisory Committee				Number of absences	Absence from two consecutive meetings or not
	as required to be present this year	Number of attendances in person	Number of attendances by correspondence	Number of attendances by proxy		
Wu Hongwei	1	1	0	0	0	No
Wang Meijuan	5	4	0	1	0	No
Hu Hairong	5	5	0	0	0	No
Song Shihao	5	5	0	0	0	No
Rui Zhengxian	1	1	0	0	0	No
Li Lin	5	4	0	1	0	No
Zheng Xiaoyun	5	2	2	1	0	No
Cheng Feng	5	1	2	2	0	No
Feng Huang	5	5	0	0	0	No
Song Chunfeng	5	3	1	1	0	No
Chen Huifeng	5	3	0	2	0	No
Shou Weiguang (resigned)	1	1	0	0	0	No
Yang Qingzhong (resigned)	4	4	0	0	0	No
Qiu Xiaping (resigned)	4	3	0	1	0	No

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

SECTION IX CORPORATE GOVERNANCE

(II) Meetings of the Supervisory Committee

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

1. On 29 March 2017, the 12th meeting of the sixth session of the Supervisory Committee was convened onsite, in which the Annual Report of the Company for the Year 2016, the Internal Control Evaluation Report of the Company for the Year 2016, the Compliance Report of the Company for the Year 2016, the Report of the Supervisory Committee of the Company for the Year 2016, and the Proposal regarding Proposed Amendments to the Rules of Procedure for the Supervisory Committee were considered and approved.
2. On 27 April 2017, the 13th meeting of the sixth session of the Supervisory Committee was convened onsite and by means of teleconference simultaneously, in which the First Quarterly Report of the Company for the Year 2017 was considered and approved.
3. On 29 August 2017, the 14th meeting of the sixth session of the Supervisory Committee was convened onsite and by means of teleconference simultaneously, in which Interim Report of the Company for the Year 2017, the Interim Compliance Report of the Company for the Year 2017, and the Proposal regarding Proposed Amendments to the Rules of Procedure for the Supervisory Committee of the Company were considered and approved.
4. On 27 October 2017, the 15th meeting of the sixth session of the Supervisory Committee was convened onsite and by means of teleconference simultaneously, in which the Third Quarterly Report of the Company for the Year 2017 was considered and approved.
5. On 25 December 2017, the 16th meeting of the sixth session of the Supervisory Committee was convened on site and by means of teleconference simultaneously, in which the Proposal regarding the Election of the Vice Chairman of the Supervisory Committee was considered and approved.

SECTION IX CORPORATE GOVERNANCE

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

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

(I) Business Independence

According to the PRC Company Law, the Articles of Association and the business scope approved by the CSRC, the Company legally conducts its businesses independently. The Company has obtained relevant operation permits for securities businesses, by which shapes its independent and complete business structure and the capability to conduct independent operation. The Company's business operation is free of control or influence from its shareholders or related parties and is able to participate in market competition independently. There is no violation of the Company's operational procedures by any shareholder or related party to intervene the Company's internal management or business decision-making.

(II) Staff Independence

The Company has an established human resource department with independent and complete labor, personnel and salary administration system. The Company has elected/appointed its Directors, Supervisors and senior management through statutory procedures. None of our senior management holds any position other than positions of director or supervisor at any shareholder or any of the Company's subsidiaries, nor do they hold any position in any enterprise that have the same or similar business with that of the Company. There is no occasion where the Company's shareholders acted beyond the authority of the general meeting and the Board to appoint Directors, Supervisors or senior management of the Company. Appointments of Directors, Supervisors, and senior management strictly complies with the PRC Company Law, the PRC Securities Law and the Articles of Association, and is conducted in lawful procedures. The Company has established comprehensive labor employment, personnel administration, payroll management and social security system, and all employees have signed labor contracts with the Company. The Company has the independent rights to sign labor contract without interference of any shareholders.

SECTION IX CORPORATE GOVERNANCE

(III) Assets Independence

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

(IV) Institutional Independence

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

(V) Financial Independence

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

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

✓ Not applicable

SECTION IX CORPORATE GOVERNANCE

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

The Company considered and approved the Resolution on Formulation of Administrative Measures on Remuneration of Senior Management of Haitong Securities Co., Ltd. and the Resolution on Formulation of Administrative Measures on Performance Appraisal for Senior Management of Haitong Securities Co., Ltd. (together, the “two Measures”) at the 13th meeting of the sixth session of the Board. According to the two Measures, the Board will conduct the annual performance appraisal and consider related awards for senior management upon the end of an accounting year. During the Reporting Period, the Proposal regarding the Appraisal and Incentive Plan of Senior Management of the Company for the Year 2017 was considered and approved at the 23rd meeting of the sixth session of the Board, to implement “an overall remuneration and performance appraisal system for the senior management, linking the benefits of the senior management with that of the shareholders, and based on the aim of creating long-term value for the shareholders” and “a performance-oriented remuneration and performance appraisal system with both long-term and short-term objectives” established by the two Measures, so as to ensure the marketization of the remuneration and rewarding system and maintain its competitive advantages in the industry.

At the same time, the 24th meeting of the sixth session of the Board of the Company considered and approved the Proposal regarding the Implementation of Professional Manager Plan of Haitong Securities Co., Ltd. In accordance with the principles of “market-oriented recruitment, contract-based management and differential remuneration”, and the aims of “adequate capabilities, reasonable structure, standardized management and effective supervision,” the Company adheres to combining incentives with constraints, implements contract-based management, and closely links professional managers’ annual salary and medium- and long-term incentive incomes with the Company’s performance and their performance appraisal results so as to guarantee the marketization of executive compensation incentive system and effectively improve the overall competitiveness of the Company.

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

For details of the self evaluation report of internal control of the Company, please refer to the Internal Control Evaluation Report of Haitong Securities Co., Ltd. for the Year 2017 disclosed by the Company on the website of the Shanghai Stock Exchange on 27 March 2018. Please refer to relevant overseas regulatory announcement on the website of the Hong Kong Stock Exchange disclosed by the Company dated 27 March 2018.

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

SECTION IX CORPORATE GOVERNANCE

IX. DESCRIPTION OF AUDIT REPORT OF INTERNAL CONTROL

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

For details of the audit report of internal control of the Company, please refer to the 2017 Annual Audit Report on Internal Control of Haitong Securities Co., Ltd. disclosed by the Company on the website of the Shanghai Stock Exchange on 27 March 2018. Please refer to relevant overseas regulatory announcement on the website of the Hong Kong Stock Exchange disclosed by the Company dated 27 March 2018.

X. ESTABLISHMENT AND EXECUTION OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

(I) Statement of the Board

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

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

The Board has assessed the risk management and internal control according to the requirements of Basic Standards for Enterprise Internal Control and deemed it valid as at the end of 31 December 2017.

SECTION IX CORPORATE GOVERNANCE

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

The Company has established a scientific and effective risk management and internal control structure to identify, evaluate and manage major risks of the Group. The Board, Supervisory Committee, management, functional management departments and business operation departments each performs its clearly defined functions and responsibilities.

The Board of the Company has established the Audit Committee and the Compliance and Risk Control Committee, the responsibilities of which include reviewing the Company's risk management and internal control system, supervising the overall effective implementation and self-assessment of risk management and internal control. With Audit Committee, the Board will review the effectiveness of risk management and internal control system at least once a year. These committees assist the Board to fulfill its duties of supervision and corporate governance, which covers the finance, operation, compliance, risk management and internal control, as well as the duties of financing resource and internal audit. The General Compliance Officer is responsible for enforcing the strategies and policies of the compliance management and submitting compliance reports to the Board; the Supervisory Committee is responsible for supervising the establishment and implementation of risk management and internal control of the Board; the Chief Risk Officer is responsible for promoting and coordinating the establishment and implementation of risk management and internal control and enforcing the strategies and policies of the risk management of the Company; the functional management departments, consisting of compliance and legal department, risk management department, strategy and development department, audit department, planning & finance department, IT department, operating centre and human resources department, shall be responsible for the specific implementation of internal control work and assessing the soundness and effectiveness of each internal control system; the business operation departments internally designate persons responsible for establishing and implementing the internal control system of their respective units and reviewing the implementation of regulations and conducting front-line supervision on operational risks.

SECTION IX CORPORATE GOVERNANCE

(III) Risk Management and Internal Control Systems

The Board is the maker and authorized person of the Company's strategic objectives for risk management. The Board of the Company undertakes the ultimate responsibility for the effectiveness of the risk management and internal control system, specifically for advancing the construction of risk culture, reviewing and approving the overall objective, fundamental policy and system of the Company's risk management, and the overall risk orientation, risk tolerance, material risk limit and solution for material risk, the Company's periodic risk assessment report, appointment, dismissal and evaluation of Chief Risk Control Executive, as well as the establishment of a direct communication mechanism with the Chief Risk Officer. The Board set up the Compliance and Risk Management Committee to execute the specific risk management duties.

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

The objective of building comprehensive risk management system is to enhance the Company's scientific, regulatory and effective management and operation, so as to strengthen its capability of defending against financial risks and ensure the continuous, stable and healthy development of the Company's various businesses. It can only provide reasonable but not absolute assurance for preventing material false statement or loss considering its purpose is to manage, instead of eliminating, risks that might affect the achievement of business objectives.

The comprehensive risk management of the Company abides by the following principles: (1) principle of comprehensiveness: the Company's risk management system has involved all levels of the Company, including the Board, the management and the entire staff, into the processes of identification, measurement, monitoring, reporting, administration and examination of the risk. The concept and measures of risk control have been widely acknowledged through all departments, branches, subsidiaries and business lines. (2) principle of independence: an effective system had been established to isolate and balance the front operational departments and the middle and back departments, so that the risk management department is able to evaluate and monitor the risk independently. (3) principle of prudence: the Company must carefully examine all sections of the risk management and prudently evaluate the risks encountered by the Company.

The Company has standardized the procedure of handling and publishing inside information, to ensure the inside information remains confidential until it has been properly disclosed with approval and ensure the information is disclosed effectively and consistently.

SECTION IX CORPORATE GOVERNANCE

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

During the Reporting Period, the Company kept strengthening its risk management and internal control system, improving its risk management and internal control mechanism, standardizing its business process, and improving its management system to ensure that the internal control covers the whole process of decision-making, implementation and supervision in addition to the entire business and management of the Company. The Company has adopted a number of policies and procedures to evaluate and prudently enhance the performance of the Group's risk management and internal control system.

1. Management of Traditional Business

In terms of business control, the Company has formulated or amended, among others, the Trial Measures for Suitability Management (Second Revision in 2017), Guidelines for Suitability Management of Financial Product Distribution (2017 Revision), Risk Rating Measures for Haitong Funds, Risk Assessment Measures for Actively Managed Private Equity Products, Measures for Suitability Management of Bond Market Investors (2017 Revision), Measures for Suitability Management of Investors Trading in Risk Warning and Delisting Stocks, Working Rules for Internal Review Group of Securities Issuance, Business Rules for Offline Investors in Initial Public Offerings, Trial Measures for Suitability Management in Investment Banking Business, Management Measures for Due Diligence on Tax Information of Non-Resident Financial Accounts (Trial), Management Measures for Physical Assets, Management Regulations on Seals (2017 Revision), Management Measures for Business Seals of Branches (2017 Revision), Management Measures for Branches Based on Category and Level (Trial), Management Measures for Organizational Structure and Position Setting of Branches (Trial), Management Measures for Security Brokers, and Management and Assessment Measures for Investor Education Base;

In terms of risk management, the Company has formulated or amended, among others, the Administrative Measures for Market Risks (Trial), Administrative Measures for Market Risk Limits (Trial), Implementation Measures for Dynamic Monitoring of Risk Control Metrics, Administrative Measures for Stress Testing (Trial), Administrative Measures for Credit Risks of Haitong Securities Co., Ltd. (Trial), Administrative Measures for Stress Testing (Trial), Administrative Measures for Operational Risks of Haitong Securities Co., Ltd. (Trial), Administrative Measures for Liquidity Risks (Trial), Administrative Measures for Enterprise-Wide Risks (Trial), Administrative Measures for Liquidity Risk Metrics and Limits, Administrative Measures for Internal Audit (Revision), and Implementation Rules on Post-Audit Rectifications (Revision);

SECTION IX CORPORATE GOVERNANCE

In terms of compliance management, the Company has formulated or amended, among others, the Compliance Administrative Measures, Anti-Money Laundering Administrative Measures (2017 Revision) and Implementation Rules on Reporting and Management of Large and Suspicious Transactions;

In terms of funds and financial management, the Company has formulated, among others, the Value-Added Tax Accounting Measures, Provisional Administrative Measures for Deduction of Research and Development Expenses, and Administrative Measures for Trade Union Funds;

In terms of information system control, the Company has formulated or amended, among others, the Administrative Measures for Development of Information Technology System, Norms for Compilation of Information Technology System, Administrative Measures for Access to Liability and Liquidity Risk Management System, Administrative Measures for Access to Brokerage Information System (2017 Revision), Administrative Measures for Changes to Information System (Trial), Implementation Rules on Information Technology Audits, Administrative Measures for Operation and Maintenance of Information System in Emergency, Administrative Measures for Information System Projects, Administrative Measures for Software Requirements of Information System, Administrative Measures for Equipment Hosting of Data Center, Administrative Measures for Wireless Access to Internet at Headquarters, Administrative Measures for Production Incidents of Information System.

2. *Management of Innovative Business*

The Company has established the assessment and reviewing mechanism for innovative business to conduct adequate assessment and demonstration on its compliance, feasibility and risk in the preparatory stages, and formulated relevant management systems, operational processes and risk control measures as well as measures to protect the customers' legitimate rights and interests, etc. The Company has formulated appropriate management system and risk control programs at the early stage of all of its innovative business.

SECTION IX CORPORATE GOVERNANCE

The Company has revised and improved its established innovative business systems according to the relevant regulatory requirements and business development needs. Regarding the margin financing and securities lending business, stock pledged repo transaction, stock repo, refinancing securities lending agency and other business, the Company has revised and improved 17 regulations, such as the Administrative Measures on Financing and Securities Lending Business in June 2017, revising rules and procedures of the management responsibilities of various businesses, the management of customer suitability and compliance monitoring; regarding suitability management, according to the latest regulatory requirements, the Company has formulated or revised measures for suitability management in all innovative businesses, including the Implementation Rules on Customer Suitability Management in Precious Metal Agency Business (Revision), Implementation Plan for Suitability Management of Investors in National SME Share Transfer System (Trial), Measures for Suitability Management of Investors Trading in OTC Equity Derivatives (Trial) (2017 Revision), Implementation Measures for Suitability Management of Investors in Stock Connect Business, Guidelines for Suitability Management of Classified Funds, and the Implementation Plan for Suitability Management in Option Financing. Other Revisions of and improvements to systems governing innovative businesses mainly include the Administrative Measures for Permit for Precious Metal Agency Business, Administrative Measures for International Gold Leasing Business (Trial), Administrative Measures for Permit for Stock Option Brokerage Business, Administrative Measures for Subject Securities of OTC Equity Derivative Trading Business (Revised), Administrative Measures for Proprietary Interest Rate Derivative Business, Guidelines for Internal Control and Risk Management of Proprietary Interest Rate Derivative Business, Guidelines for Internal Control and Risk Management of Pledge-Style Repurchase of Exchange-Traded Bonds in Proprietary Business, Administrative Measures for Pledge-Style Bond Repurchasing Business (Brokers), Administrative Measures for Investment Advisory Business (2017 Revision), Administrative Measures for Business Cooperation through Internet Channels, Administrative Measures for Share Incentive Option Financing Business (Trial) and Administrative Measures for Risks Associated with Share Incentive Option Financing Business

SECTION IX CORPORATE GOVERNANCE

(V) Basis of Building Internal Control over Financial Reports

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

During the Reporting Period, the Company has formulated or revised and perfected such financial accounting management systems and other internal control systems as the Accounting Measures for Value-added Tax, the Interim Administration Measures for Plus, Calculation and Deduction of R&D Costs, in strict accordance with the PRC Company Law, PRC Accounting Law, Accounting Standard for Business Enterprise, Standardization of Basic Work of Accounting, Financial Rules of Financial Entities and Basic Standards for Enterprise Internal Control, and taking into consideration of industry features and its actual conditions. The Company employed scientific financial accounting structure, qualified professional financial accounting staff, normative and precise financial accounting management systems, appropriate accounting policies, and reasonable accounting estimates to ensure that the financial reports prepared by the Company comply with the requirements of accounting standards and can give a true, accurate and complete view on its financial position, operating results, cash flow and relevant information. According to the Articles of Association and relevant provisions, the Company's Supervisory Committee and external audit institutions effectively inspected and supervised the Company's financial position, and delivered their professional audit opinions on the financial reports of the Company.

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

SECTION IX CORPORATE GOVERNANCE

(VI) Operations of Risk Management and Internal Control System

The Company's risk management and internal control system is able to conduct risk management and internal control in a trinity way before, during and after the business operation in respect of all the risks encountered in the course of operation.

Before the operations of business, the Company has formulated corresponding management system and process for each business; during the operations of the business, the Company has established a real-time monitoring system, implementing the dynamic monitoring of risk control indicators and automatic warning, and has also established a net capital complementation mechanism to ensure that the risk control indicators, including the net capital, continuously conform to the requirements of regulatory authorities; in respect of the control after the operations of business, the Company is able to carry out rectification measures for the issues identified during the monitoring, and the audit department has formulated auditing plan on an annual basis to proceed on-site audit of the Company's relevant departments, branches and subsidiaries and supervise the rectification of the identified issues.

During the Reporting Period, and under the Basic Standards for Enterprise Internal Control and regulatory requirements, the Company has continued to improve the risk control checklist covering primary businesses, key areas and critical sectors by identifying key risks in the management and operation in view of all business processes. The Company has developed a dynamic adjustment mechanism for the risk control checklist to evaluate its implementation on a regular basis and make timely adjustment to its contents and relevant system with a focus on existing issues, ensuring a reasonable and suitable internal control system. The Company also promoted the development of information system, increasing the level and scope of information control. Based on the risk control list, the Company organized internal audit and self-assessment of internal control, while dealing with the problems and defects discovered in the internal and external examination by listing them out and account-deleting, thus to form a loop management for checking, correcting and continuous improvement.

During the Reporting Period, the Company continued to promote and improve the establishment and operation of its comprehensive risk management and liquidity risk management system. In respect of system building, the Company facilitated the development of consolidation system Phase II and the credit risk management system, with plans to standardize the capture and aggregation of basic information such as the financial data and financial assets of subsidiaries, and the functions of customer management and internal rating management; in respect of risk monitoring, the Company has fully implemented the monitoring of risk control indicators, including daily monitoring and reporting to regulatory authorities its net capital and all other risk control indicators, daily management of market risk limits for equity investments, fixed incomes, and the New Three Boards market-making, daily monitoring and editing reports on risk control indicators for businesses such as margin financing, stock lending, stock pledge and repurchases, to ensure timely reporting of significant credit risk events; in respect of subsidiary management, the Company has improved the risk reporting system of subsidiaries and continued to promote the development of the internal rating system of subsidiaries. The Company has completed interviews on and investigations in the credit risk management of all subsidiaries.

SECTION IX CORPORATE GOVERNANCE

During the Reporting Period, according to new requirements on compliance in the industry and based on the actual development situation, the Company continued to improve compliance management systems and mechanism by separating the Compliance and Legal Department from the previous Compliance and Risk Management Head Office as a separate compliance management department at the first level, as well as promoting the development of a conglomerate compliance workforce, enhancing the independence and authority of compliance management. In line with its development strategy, the Company actively explored a conglomerate compliance management mode to enhance compliance control over subordinate units, particularly strengthened the supervision on compliance and the automatic and systematic review on compliance, which effectively improved the compliance management capability to all departments at the Headquarters, branches and subsidiaries.

(VII) Internal Supervisions of the Establishment and Implementation of Risk Management and Internal Control

The Company has formulated the Self-Assessment Handbook of Haitong Securities' Internal Control to regulate the self-assessment of internal control activities. The Company has set up a leading group, a working group and an internal control evaluation group for implementation of internal control regulations. The office meeting among general managers has appointed the risk management department as the leader of the working group for implementation of risk management and internal control regulations, being responsible for guiding the establishment and implementation of risk management and internal control; and assigned the audit department as the leader of the internal control evaluation group, being responsible for internal control self-assessment and issuance of internal control evaluation reports. The risk management department and the audit department independently perform their duties to evaluate the implementation and effectiveness of internal control. The compliance and risk management department has pushed forward departmental coordination and urged various departments of the Company to streamline their internal control processes, focusing on the design of internal control process for new businesses and new operation processes. The audit department has organized all departments and subsidiaries to conduct self-evaluation on the effectiveness of internal control, reviewed and evaluated the preliminary drafts of the evaluation report, summarized the weaknesses of internal control and tracked the rectification of such weaknesses.

In respect of risk management and internal control, the Company's Compliance and Risk Management Committee and Audit Committee undertake their supervising responsibility and examine the effectiveness of the Company's risk management and internal control system. The annual internal control self-assessment of the Company covers all the departments and subsidiaries, which includes the risk management and internal monitoring of finance, operation and compliance. In addition, the audit department would audit the position of risk management and internal monitoring from time to time and evaluate their effectiveness. Besides the internal review and evaluation, the external auditor also evaluates the sufficiency and effectiveness of material risk and internal control of the Company.

SECTION IX CORPORATE GOVERNANCE

(VIII) Defects in Risk Management and Internal Control and Identification Thereof

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

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

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

The Company has self-evaluated the effectiveness of the design and implementation of its internal control up to 31 December 2017 pursuant to the requirements of the Hong Kong Listing Rules, Basic Standards for Enterprise Internal Control, Guidelines for the Evaluation of Enterprise Internal Control, Guidelines for Internal Control of Securities Companies and Guidelines of Shanghai Stock Exchange for Internal Control of Listed Companies and relevant laws and regulations, and has issued the 2017 Internal Control Evaluation Report. The Compliance and Risk Management Committee and Audit Committee from the Board would analyze and evaluate the risk management and internal control system of the Group to determine whether it is employed adequately and effectively. During the Reporting Period, the Company has set up risk management and internal control systems for businesses and issues included in the evaluation scope, and put them into effect earnestly, with relevant goals achieved without any significant defects in respect of the design and implementation of the risk management and internal control. From the reporting base date to the date of issuance of internal control evaluation report, there were no material changes in the risk management and internal control system that may have a substantive influence on the evaluation results. During the Reporting Period, the external certified public accountants of the Company independently audited the design and implementation of its internal control. They considered that the Company had maintained effective internal control on financial reports pursuant to the Basic Standards for Enterprise Internal Control and relevant regulations in material aspects and did not discover any significant defects in internal control systems on non-financial reports related.

SECTION IX CORPORATE GOVERNANCE

(X) Work Plan of Risk Management and Internal Control in 2018

The risk management and internal control system should be adaptive with the operation scale, business scope, competitiveness and risk level of the Company and be timely adjusted according to the changes of situations. In 2018, the work plan for risk management and internal control mainly includes: continuing to push forward the establishment of internal control system with a focus on key areas and critical sectors with constant improvement of all systems, policies and processes, to ensure that there are no deficiencies in system design or blind spots in control system in practice; continuing to improve comprehensive risk management system, pushing forward the construction of risk management system and deepening the depth and expanding the scope of informatization control in accordance with relevant laws and regulations and regulatory requirements; carrying out daily monitor and information report in accordance with regulatory and the Company's system requirements; continuously assessing the implementation of systems to perfect and improve risk control and management strategies timely against existing problems; continuing to carry out account-deleting management in the way of making checklist in response to the issues and defects discovered during the evaluation and implementation process of internal control; absorbing new knowledge and new concept concerning internal control management, to revise the valuation handbook on internal control and to enhance the effectiveness and outcome of internal control; continuing to strengthen the promotion and training on the standard for internal control to further upgrade the level of internal control and risk management of the Company.

XI. OTHERS

(I) Company secretaries

Mr. Jiang Chengjun and Ms. Wong Wai Ling are the joint company secretaries of the Company. Ms. Wong Wai Ling serves as an assistant vice president of SW Corporate Services Group Limited. Mr. Jiang Chengjun, the Board secretary and the joint company secretary of the Company, is the main contact person with the Company. According to Rule 3.29 of the Hong Kong Listing Rules, Mr. Jiang Chengjun and Ms. Wong Wai Ling have both received no less than 15 hours of relevant professional training as at 31 December 2017.

(II) Compliance with code on securities transaction

The Company has adopted the Model Code as the code for all Directors and Supervisors to conduct securities transaction of the Company. Upon inquiry, all Directors and Supervisors of the Company confirmed that they had strictly complied with the standards specified in the Model Code during the Reporting Period. The Company has also set guidelines, which is no less strict than the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Hong Kong Listing Rules). The Company has not found any employee violating the said guidelines.

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

SECTION IX CORPORATE GOVERNANCE

(III) Internal control

For details of the audit report on internal control of the Company, please refer to the 2017 Annual Audit Report on Internal Control of Haitong Securities Co., Ltd. disclosed by the Company on the website of the Shanghai Stock Exchange dated 27 March 2018. Please refer to relevant overseas regulatory announcement on the website of the Hong Kong Stock Exchange disclosed by the Company dated 27 March 2018.

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

The Board has acknowledged its responsibilities of preparing the annual report for the year ended 31 December 2017 of the Group.

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

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

(V) Communications with shareholders

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

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

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

SECTION IX CORPORATE GOVERNANCE

Shareholders may convene an extraordinary general meeting and make proposals on the general meeting in accordance with Articles 71 and 76 of the Articles of Association, which have been published on the websites of the Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company.

The Company will arrange the Board to attend the answer shareholders' enquiries at the 2017 annual general meeting.

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

(VI) Investors relationship activities

In 2017, the securities industry faced increasing pressure on valuation and maintaining investor relations. The Management of the Company took active measures to maintain investor relations as required by the Board by briefing investors on the Company's business strategy, the approach and operation results in various manners including performance updates, global roadshows, investors visits, participation in investor meetings, investor hotlines and e-interactive platform launched by the Shanghai Stock Exchange, so as to guide reasonable expectations to the Company in capital markets. In 2017, the Company organized two result announcement sessions, and global roadshows were conducted under the leadership of the Chairman and General Manager. The Company received domestic and foreign analysts and investors for a total of 47 on-site investigations, received 116 investors and participated in 7 broker exchange conferences, which significantly increased the transparency of the Company.

(VII) Other reporting issues

During the Reporting Period, the Company made two amendments to the Articles of Association. The first amendment was considered and approved by the 23rd meeting of the sixth session of the Board on 29 March 2017, and by the 2016 annual general meeting held on 6 June 2017. In July 2017, the Company received, from the Shanghai Supervision Bureau of the CSRC, the Approval on Changes of Important Articles of the Association of Haitong Securities Limited (Hu Zheng Jian Xu Ke No. 2017 [66]). For the details of amendments, please refer to the Company's announcements dated 29 March 2017 and 6 June 2017, as well as the overseas regulatory announcement dated 26 July 2017. The second amendment was considered and approved by the 25th meeting of the sixth session of the Board on 29 August 2017, and by the first extraordinary general meeting for the year 2018 held on 1 March 2018. Please refer to the announcements of the Company dated 29 August 2017 and 1 March 2018 for details of the amendments. Such amendments will only be valid subject to the approval of regulatory authorities.

SECTION X CORPORATE BONDS

I. BASIC INFORMATION OF CORPORATE BONDS

On 26 March 2013, the Proposal regarding the Issuance of Corporate Bonds and the Proposal regarding the General Mandate to Issue Corporate Bonds were considered and approved at the 16th meeting of the fifth session of the Board. The resolutions were considered and approved at the 2012 annual general meeting of the Company held on 27 May 2013, and the Chairman and general manager of the Company were authorized to jointly or individually deal with all related matters regarding the issuance of corporate bonds. Relevant resolutions were published on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of Shanghai Stock Exchange (<http://www.sse.com.cn>) on 27 March 2013 and 28 May 2013, respectively. According to the approval issued by the CSRC (Zheng Jian Xu Ke [2013] No.1220) on 25 September 2013, the Company was approved to publicly issue corporate bonds with an aggregate nominal value exceeding RMB23.0 billion. Based on the aforesaid resolutions and regulatory approvals, the Company publicly issued two tranches of corporate bonds.

According to the Proposal regarding the General Mandate to Issue Onshore Debt Financing Instruments considered and approved at the 15th meeting of the sixth session of the Board on 30 March 2016 and the 2015 annual general meeting on 26 May 2016, the Company applied for and obtained the Letter of Approval for Haitong Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2017] No.408) from Shanghai Stock Exchange and the CSRC. Relevant resolutions were published on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of Shanghai Stock Exchange (<http://www.sse.com.cn>) on 31 March 2016 and 27 May 2016, respectively. The Letter approved the Company to publicly issue corporate bonds with an aggregate nominal amount not exceeding RMB12.0 billion to qualified investors. Based on the aforesaid resolutions and regulatory approvals, during the Reporting Period, the Company publicly issued three tranches of corporate bonds.

During the Reporting Period, the Company publicly issued new corporate bonds of RMB12.0 billion, and paid RMB5.65 billion upon maturity, with a balance of RMB22.09 billion.

Unit: RMB100 million

Name of Bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate	Method to repay		Venue of trading
							principal and pay interest		
2013 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	13 Haitong 02	122281	25 November 2013	25 November 2018	23.5	6.15%	Simple annualized interest rate		Shanghai Stock Exchange
2013 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	13 Haitong 03	122282	25 November 2013	25 November 2023	23.9	6.18%	Simple annualized interest rate		Shanghai Stock Exchange
2013 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	13 Haitong 04	122311	14 July 2014	14 July 2017	-	-	Payment upon maturity	-	

SECTION X CORPORATE BONDS

Name of Bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate	Method to repay principal and pay interest	Venue of trading
2013 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	13 Haitong 05	122312	14 July 2014	14 July 2019	45.5	5.45%	Simple annualized interest rate	Shanghai Stock Exchange
2013 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	13 Haitong 06	122313	14 July 2014	14 July 2024	8	5.85%	Simple annualized interest rate	Shanghai Stock Exchange
2017 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	17 Haitong 01	143231	11 August 2017	11 August 2020	50	4.63%	Simple annualized interest rate	Shanghai Stock Exchange
2017 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	17 Haitong 02	143232	11 August 2017	11 August 2022	10	4.80%	Simple annualized interest rate	Shanghai Stock Exchange
2017 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	17 Haitong 03	143301	22 September 2017	22 September 2027	55	4.99%	Simple annualized interest rate	Shanghai Stock Exchange
2017 Corporate Bonds (Tranche 3) of Haitong Securities Co., Ltd.	17 Haitong 04	143336	25 October 2017	25 October 2020	5	4.77%	Simple annualized interest rate	Shanghai Stock Exchange

PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL OF CORPORATE BONDS

- 2013 Corporate Bonds (Tranche 1). The interest of 13 Haitong 02 and 13 Haitong 03 for the year 2017 was paid on 27 November 2017 (25 November 2017 was a rest day so the payment of interest was postponed for one trading day to 27 November 2017).
- 2013 Corporate Bonds (Tranche 2). Payment of interest and repayment of principal of 13 Haitong 04 were finished and 13 Haitong 04 was delisted on maturity date of 14 July 2017 and the interest of 13 Haitong 05 and 13 Haitong 06 for the year 2017 was paid on the same day.

SECTION X CORPORATE BONDS

FURTHER DESCRIPTION OF CORPORATE BONDS

The Company's existing non-public issuance of corporate bonds and subordinated bonds during the Reporting Period are represented in the following table. During the Reporting Period, subordinated bonds increased by RMB4.5 billion, and RMB15 billion was redeemed. The total balance of the two types of bonds was RMB50.5 billion.

Unit: RMB100 million

Name of Bonds	Abbreviation	Code	Term	Date of issuance	Maturity date	Balance of bonds	Interest rate	Method to repay		Venue of trading
								principal and pay interest		
2015 subordinated bonds (Tranche 1)	15 Haitong C1	123212	5 years (3+2)	2015/04/08	Option of redemption	150	5.50%	Simple annualized interest rate		Shanghai Stock Exchange
2015 subordinated bonds (Tranche 2)	15 Haitong C2	125994	3 years (2+1)	2015/06/12	2017/06/12	-	-	Redemption		-
2015 subordinated bonds (Tranche 2)	15 Haitong C3	125993	5 years (3+2)	2015/06/12	Option of redemption	50	5.38%	Simple annualized interest rate		Shanghai Stock Exchange
2016 subordinated bonds (Tranche 1)	16 Haitong C1	145179	3 years	2016/11/17	2019/11/17	40	3.30%	Simple annualized interest rate		Shanghai Stock Exchange
2016 subordinated bonds (Tranche 1)	16 Haitong C2	145180	5 years	2016/11/17	2021/11/17	20	3.40%	Simple annualized interest rate		Shanghai Stock Exchange
2017 subordinated bonds (Tranche 1)	17 Haitong C1	145411	3 years	2017/03/16	2020/03/16	45	4.80%	Simple annualized interest rate		Shanghai Stock Exchange
2016 non-public issuance of corporate bonds (Tranche 1)	16 Haitong 01	135484	4 years (3+1)	2016/05/18	Option of redemption	150	3.60%	Simple annualized interest rate		Shanghai Stock Exchange
2016 non-public issuance of corporate bonds (Tranche 1)	16 Haitong 02	135485	5 years	2016/05/18	2021/05/18	50	3.80%	Simple annualized interest rate		Shanghai Stock Exchange

1. Issuance

In accordance with the No Objection Letter to Haitong Securities Co., Ltd. on the Listing and Transfer of 2016 Subordinated Bonds (Shang Zheng Han [2016] No.2080) from Shanghai Stock Exchange, the Company issued 2017 Subordinated Bonds (Tranche 1) on 16 March 2017. For the result of the issuance, please refer to the announcement published on the website of the Shanghai Stock Exchange.

SECTION X CORPORATE BONDS

2. Redemption

15 Haitong C2 of 2015 subordinated bonds (Tranche 2) was issued on 12 June 2015, with an amount of RMB15 billion, interest rate of 5.3% and right of redemption at the end of the second year upon the issuance. The issuer chose to exercise the “right of redemption” and the subordinated bonds were fully redeemed on 12 June 2017. The notes to the exercise of right of redemption and the results of repayment were published on the website of the Shanghai Stock Exchange.

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

13 Haitong 02	Bond trustee	Name	CITIC Securities Company Limited
13 Haitong 03		Office address	22nd Floor, CITIC Securities Tower, No.48
13 Haitong 05			Liangmaqiao Road, Chaoyang District, Beijing
13 Haitong 06		Contact persons	Song Yilan, Chang Wei
15 Haitong C3		Tel	010-60836030
17 Haitong 01	Credit-rating agency	Name	China Chengxin Securities Ratings Co., Ltd. (中誠信證券評估有限公司)
17 Haitong 02		Office address	8th Floor, No.760 Xizang South Road, Shanghai
17 Haitong 03		Tel	021-51019090
17 Haitong 04			
16 Haitong 01	Bond trustee	Name	Shanghai AllBright Law Offices
16 Haitong 02		Office address	12th Floor, Shanghai Tower, No.501 Yincheng
16 Haitong C1			Middle Road, Pudong New Area, Shanghai
16 Haitong C2		Contact persons	Pei Zhenyu, Lv Xijing, Xiao Wenyan
		Tel	021-20511217
17 Haitong C1	Credit-rating agency	Name	China Chengxin Securities Ratings Co., Ltd. (中誠信證券評估有限公司)

SECTION X CORPORATE BONDS

III. USE OF PROCEEDS FROM ISSUANCE OF CORPORATE BONDS

As at 31 December 2017, the aforesaid proceeds from issuance of corporate bonds of the Company were fully used to pay its due debts or replenish the operating capital of the Company to meet the Company's needs for business operations, which were consistent with the committed use, the usage plan and other agreements as described in the prospectus. Among them, the proceeds of RMB4.5 billion from Tranche 1 of 2017 subordinated bonds were used to repay the matured transfer of usufruct right and replenish the working capital; among the proceeds of RMB6 billion from Tranche 1 of 2017 corporate bonds, RMB5.9 billion were used to repay the short-term borrowings that the issuer used to pay the principal and interest of 13 Haitong 04 with the rest used to replenish the working capital; the proceeds of RMB5.5 billion from Tranche 2 of 2017 corporate bonds were used to repay the short-term borrowings that the issuer used to pay the principal and interest of income certificate of "Yi Hai Tong Cai. Li Cai Bao"(一海通財•理財寶) series and transfer of the right of return on bonds of financing business that matured from 15 August 2017 to 20 September 2017; the proceeds of RMB500 million from Tranche 3 of 2017 corporate bonds were used to replenish the working capital of the Company.

Given that the bonds issued in tranches within the validity period of the same approval document use the same special account for proceeds, proceeds in the above special accounts have been used up with a zero balance.

IV. INFORMATION ON THE RATING OF CORPORATE BONDS

The credit-rating agency of corporate bonds is China Chengxin Securities Ratings Co., Ltd. (中誠信證券評估有限公司) (hereinafter referred to as "CCXR") which is a wholly-owned subsidiary of China Chengxin Credit Management Co., Ltd., established in August 1997 with its registered address in Shanghai. CCXR was licensed by the CSRC and the People's Bank of China to principally carry out stock market credit rating and lending market credit rating businesses.

Business qualifications of CCXR include: Approval for Carrying out Stock Market Credit Rating Business (Zheng Jian Ji Gou Zi [2007] No. 223) issued by the CSRC in September 2007; Stock Market Credit Rating Business License (ZPJ001) issued by CSRC in January 2012; Announcement on Recognition of Seven Credit Rating Institutions (Bao Jian Announcement [2013] No. 9) by the China Insurance Regulatory Commission in October 2013. CCXR is one of the members of first batch of credit rating institutions in the Securities Association of China, one of council units of Securities Association of China, and ranked first in the domestic corporate bond rating market in terms of market share.

In September 2017, the rating committee of CCXR approved the subject credit rating of AAA and a "stable" rating outlook for the Company (Xin Ping Wei Han Zi [2017] No. Z049).

SECTION X CORPORATE BONDS

On 16 March 2017, CCXR approved the credit rating of AA+ for the subordinated bonds (Tranche 1) non-publicly issued by the Company in 2017 (Xin Ping Wei Han Zi [2017] No. G105-F1).

From August to October 2017, CCXR approved the credit ratings of AAA for the three tranches of corporate bonds publicly issued by the Company to qualified investors (Xin Ping Wei Han Zi [2017] No. G047-F1, G047-F2, G047-F3).

In 2017, CCXR issued follow-up ratings reports for each bond issued by the Company. The credit ratings of tranches 1 and 2 of publicly issued corporate bonds in 2013 remained at AAA (Xin Ping Wei Han Zi [2017] Gen Zong No. 059 and No. 060); the credit rating of subordinated bonds (Tranche 2) in 2015 remained at AA+ (Xin Ping Wei Han Zi [2017] Gen Zong No. 061); the credit rating of subordinated bonds (Tranche 1) in 2016 remained at AA+ (Xin Ping Wei Han Zi [2017] Gen Zong No. 062); and the credit rating of publicly issued corporate bonds (Tranche 1) in 2016 remained at AAA (Xin Ping Wei Han Zi [2017] Gen Zong No. 063).

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

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

1. Repayment plan

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

2. Other relevant information

The Resolution on the General Mandate to Issue Onshore Debt Financing Instruments was considered and approved at the general meeting on 26 May 2016, which stipulated repayment supporting measures, i.e., "authorising the Board and permitting the Board to re-authorise the authorised persons, jointly or separately, in respect of the issuances of the Corporate Onshore Debt Financing Instruments to adopt at least the following measures when there is an anticipated failure to repay the principal and interest of the onshore debt financing instrument or an actual failure to repay the principal and interest of the onshore debt financing instrument on due dates: ①ceasing to distribute dividends to the Shareholders; ②suspending the implementation of any capital expenditure projects such as material external investments, acquisitions and mergers; ③reducing or ceasing to pay the wages and bonus of the Directors and senior management of the Company; ④freezing the job transfer of the key responsible personnel."

SECTION X CORPORATE BONDS

As for the implementation of other repayment supporting measures, the Company, in strict compliance with the relevant rules of procedure for the bondholders' meeting, organized bondholders to exercise their powers through bondholders' meetings, engaged CITIC Securities and Shanghai AllBright Law Offices as the bond trustees for corresponding bonds respectively, to safeguard bondholders' interests in accordance with the Bond Trustee Agreement which the Company entered into, and strictly complied with relevant fund management plans and information disclosure requirements. The above measures were consistent with the descriptions in the prospectus.

VI. MEETINGS CONVENED FOR HOLDERS OF CORPORATE BONDS

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

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

As a trustee of corporate bonds and partial subordinated bonds, CITIC Securities Company Limited had no conflict of interest in the course of performing its duties, and conducted an ongoing track and supervision of the performance of the obligations agreed in the prospectus in connection with the issuance and agreements by the Company and focused on the credit status and implementation of repayment supporting measures of the Company on an ongoing basis. The report of entrusted management affairs for 2016 in respect of two tranches of 2013 Corporate Bonds of the Company was issued on 27 April 2017. The report of entrusted management affairs for 2016 in respect of 2015 Subordinated Bonds (Tranche 2) of the Company was issued on 30 June 2017. In response to the advance notice of administrative penalty from the CSRC, an interim report of entrusted management affairs for relevant bonds was issued on 14 June 2017. The abovementioned reports were all disclosed by the Company on the website of Shanghai Stock Exchange.

As the bond trustee of the issuance of non-public corporate bonds and partial subordinated bonds, Shanghai All Bright Law Offices had no conflict of interest in the course of performing its duties, and conducted an ongoing track and supervision of the performance of the obligations agreed in the prospectus in connection with the issuance and agreements by the Company and focused on the credit status and implementation of repayment supporting measures of the Company on an ongoing basis. The report of entrusted management affairs for 2016 in respect of 2016 Non-public Corporate Bonds (Tranche 1) and 2016 Subordinated Bonds (Tranche 1) of the Company was issued on 29 June 2017 by Shanghai All Bright Law Offices. In response to the advance notice of administrative penalty from the CSRC, an interim report of entrusted management affairs for relevant bonds was issued on 14 June 2017. The abovementioned reports were all disclosed by the Company on the website of Shanghai Stock Exchange.

SECTION X CORPORATE BONDS

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE RECENT TWO YEARS AT THE END OF THE REPORTING PERIOD

Unit: RMB

Key indicators	2017	2016	Movement for the current period compared with last corresponding period (%)	Reasons for changes
EBITDA	24,550,691,809.25	23,536,376,402.89	4.31	/
Liquidity ratio	2.05	1.67	22.75	/
Quick ratio	2.05	1.67	22.75	/
Gearing ratio (%)	71.24	73.30	-2.81	/
EBITDA total debt ratio	0.08	0.07	14.29	/
Interest coverage ratio	2.15	1.93	11.40	/
Cash interest coverage ratio	-3.95	-2.83	39.58	Due to the increase in cash outflow from operating activities
EBITDA interest coverage ratio	2.20	1.96	12.24	/
Loan repayment ratio (%)	100	100	/	/
Interest payment ratio (%)	100	100	/	/

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

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

SECTION X CORPORATE BONDS

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

Name of Bonds	Abbreviation	Code	Date of issuance	Date of payment of interest and repayment of principal	Information on payment of interest and repayment of principal
2015 subordinated bonds (Tranche 1)	15 Haitong C1	123212	2015/04/08	2017/04/08	Interest paid in full on time
2015 subordinated bonds (Tranche 2)	15 Haitong C2	125994	2015/06/12	2017/06/12	Redeemed
2015 subordinated bonds (Tranche 2)	15 Haitong C3	125993	2015/06/12	2017/06/12	Interest paid in full on time
2016 subordinated bonds (Tranche 1)	16 Haitong C1	145179	2016/11/17	2017/11/17	Interest paid in full on time
2016 subordinated bonds (Tranche 1)	16 Haitong C2	145180	2016/11/17	2017/11/17	Interest paid in full on time
2016 non-public issuance of corporate bonds (Tranche 1)	16 Haitong 01	135484	2016/05/18	2017/05/18	Interest paid in full on time
2016 non-public issuance of corporate bonds (Tranche 1)	16 Haitong 02	135485	2016/05/18	2017/05/18	Interest paid in full on time

1. 2015 Subordinated Bonds (Tranches 1 and 2)

During the Reporting Period, the Company paid the interest of its 2015 Subordinated Bonds (Tranches 1 and 2) in a timely manner. Please refer to announcement on the website of the Shanghai Stock Exchange for details (Announcement No.: Lin 2017-010, Lin 2017-027). 15 Haitong C2 of 2015 Subordinated Bonds (Tranche 2) was redeemed and delisted by exercising redemption right (Announcement No.: Lin 2017-026, Lin 2017-030).

2. 2016 Subordinated Bonds (Tranche 1)

During the Reporting Period, the Company paid the interest of its 2016 Subordinated Bonds (Tranche 1) in a timely manner. Please refer to announcement on the website of the Shanghai Stock Exchange for details (Announcement No.: Lin 2017-052).

3. 2016 Non-public Issuance of corporate bonds (Tranche 1)

During the Reporting Period, the Company paid the interest of its 2016 Non-public Issuance of Corporate Bonds (Tranche 1) in a timely manner. Please refer to announcement on the website of the Shanghai Stock Exchange for details (Announcement No.: Lin 2017-018, Lin 2017-019).

SECTION X CORPORATE BONDS

X. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company obtained aggregate external credit facilities of nearly RMB500 billion from a total of over hundreds of banks. As at the end of the Reporting Period, the unutilized credit facilities was more than RMB300 billion.

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

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

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

The Company received an Advance Notice of Administrative Penalty from the CSRC (Chu Fa Zi [2017] No. 059) on 23 May 2017, and made a full-text announcement on Shanghai Stock Exchange (Announcement No. Lin 2017-024) on 25 May 2017. For that matter, each of bond trustees of the Company issued reports of entrusted management affairs. The Company will make an announcement in time in the event of any new developments on this matter. This administrative penalty decision has no material impact on the financial position of the Company for the year of 2017 and onwards and the operations and solvency of the Company are normal.

SECTION XI FINANCIAL REPORT

- I. The Financial Report (H Share) of the Company for the year 2017 has been audited by Deloitte Touche Tohmatsu which has issued a standard unqualified audit report.
- II. Consolidated Financial Statements (H Share) (Appendices).
- III. Notes to Consolidated Financial Statements (H Share) (Appendices).

SECTION XII DOCUMENTS AVAILABLE FOR INSPECTION

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

SECTION XIII INFORMATION DISCLOSURE OF SECURITIES COMPANY

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

(I) Administrative Licensing of Business Departments during the Reporting Period

<u>New business departments</u>	<u>Relocation of branches</u>	<u>Relocation of business departments</u>
---------------------------------	-------------------------------	---

0	2	17
---	---	----

1. Administrative licensing of relocation of branches during the Reporting Period

No.	Name of branch before relocation	Name of branch after relocation	New address	License obtained on
1	Haitong Securities Co., Ltd. (Heilongjiang Branch)	Haitong Securities Co., Ltd. (Heilongjiang Branch)	10/F, Qilu International Hotel, No. 111, Zhongshan Road, Nangang District, Harbin	13 March 2017
2	Haitong Securities Co., Ltd. (Shandong Branch)	Haitong Securities Co., Ltd. (Shandong Branch)	2/F, Building D, Shunhuayuan, No.28, Shungeng Road, Shizhong District, Jinan, Shandong	30 March 2017

2. Administrative licensing of relocation of business departments during the Reporting Period

No.	Name of business department before relocation	Name of business department after relocation	New address	License obtained on
1	Business Department of Haitong Securities Co., Ltd. in Pingxiang Park Middle Road	Business Department of Haitong Securities Co., Ltd. in Chuping East Road, Pingxiang	27/F, Comprehensive Building 1, No. 98, Chuping East Road, Anyuan District, Pingxiang, Jiangxi	4 January 2017
2	Business Department of Haitong Securities Co., Ltd. in Renmin Road, Panjin	Business Department of Haitong Securities Co., Ltd. in Shuangxing Road, Panjin	No. 177, Shuangxing South Road, Xinglongtai District, Panjin, Liaoning	5 January 2017
3	Business Department of Haitong Securities Co., Ltd. in Shennan Avenue, Shenzhen	Business Department of Haitong Securities Co., Ltd. in Shennan Avenue, Shenzhen	Rooms 2912-2915, Tower A, Century Holiday Plaza, No. 9030, Shennan Avenue, Nanshan District, Shenzhen	11 January 2017

SECTION XIII INFORMATION DISCLOSURE OF SECURITIES COMPANY

No.	Name of business department before relocation	Name of business department after relocation	New address	License obtained on
4	Business Department of Haitong Securities Co., Ltd. in Gogol Avenue, Harbin	Business Department of Haitong Securities Co., Ltd. in Gogol Avenue, Harbin	3-4/F, No. 278, Gogol Avenue, Nangang District, Harbin	13 February 2017
5	Business Department of Haitong Securities Co., Ltd. in Wanghai Road, Shenzhen	Business Department of Haitong Securities Co., Ltd. in Meilin Road, Shenzhen	Room 1209, Building A, Phase 2, South Area, Excellence Meilin Central Plaza, Meilin Road, Meilin Street, Futian District, Shenzhen	3 March 2017
6	Business Department of Haitong Securities Co., Ltd. in Langzhou Road, Changde	Business Department of Haitong Securities Co., Ltd. in Langzhou Road, Changde	1/F & 6/F, No. 619, Langzhou Road, Binhu Community, Chuanzi River Sub-district Office, Wuling District, Changde, Hunan	31 March 2017
7	Business Department of Haitong Securities Co., Ltd. in East Street, Cheng County	Business Department of Haitong Securities Co., Ltd. in Dongbinhe Middle Road, Cheng County	No. 21, 3/F, Unit 3, Guanshui Lijing Commercial & Residential Building, Dongbinhe Middle Road, Cheng County, Longnan, Gansu	26 April 2017
8	Business Department of Haitong Securities Co., Ltd. in Ranweng Road, Mile	Business Department of Haitong Securities Co., Ltd. in Ranweng Road, Mile	Yixin Community Shop, Ranweng West Road, Mile, Honghe Prefecture, Yunnan	5 May 2017
9	Business Department of Haitong Securities Co., Ltd. in Guilin Road, Shanghai	Business Department of Haitong Securities Co., Ltd. in Liuzhou Road, Xuhui District, Shanghai	Rooms 109, 703-2 & 704, No.138, Liuzhou Road, Xuhui District, Shanghai	16 May 2017
10	Business Department of Haitong Securities Co., Ltd. in Dangui Street, Zigong	Business Department of Haitong Securities Co., Ltd. in Dangui Street, Zigong	No. 407, 4/F, Taifeng Commercial Exhibition Center, No. 80, Dangui Street, Ziliujing District, Zigong, Sichuan	14 July 2017

SECTION XIII INFORMATION DISCLOSURE OF SECURITIES COMPANY

No.	Name of business department before relocation	Name of business department after relocation	New address	License obtained on
11	Business Department of Haitong Securities Co., Ltd. in Kuyang Street, Jinning	Business Department of Haitong Securities Co., Ltd. in Hongjin Road, Kunming	No. 101, Unit 1, Block 26, Jiangdong Ankangyuan, Wuhua District, Kunming, Yunnan	20 July 2017
12	Business Department of Haitong Securities Co., Ltd. in Dongsan Road, Dongying	Business Department of Haitong Securities Co., Ltd. in Beiyi Road, Dongying	Room E-106, No. 730, Beiyi Road, Dongying District, Dongying, Shandong	26 July 2017
13	Business Department of Haitong Securities Co., Ltd. in Baizhang East Road, Ningbo	Business Department of Haitong Securities Co., Ltd. in Zhongshan East Road, Ningbo	Room (2-1), No. 922, Zhongshan East Road, Yinzhou District, Ningbo, Zhejiang	1 August 2017
14	Business Department of Haitong Securities Co., Ltd. in Daijia Road, Shaoyang	Business Department of Haitong Securities Co., Ltd. in Minzhou Road, Shaoyang	2/F, Shaoyang Food Bureau, Minzhou East Road, Daxiang District, Shaoyang	30 August 2017
15	Business Department of Haitong Securities Co., Ltd. in Yongning Street, Datong	Business Department of Haitong Securities Co., Ltd. in Xiangyang Street, Datong	No. 14, Xiangyang West Street, Datong Urban Area	13 October 2017
16	Business Department of Haitong Securities Co., Ltd. in Danxi North Road, Yiwu	Business Department of Haitong Securities Co., Ltd. in Binwang Road, Yiwu	1-3/F, No. 226, Binwang Road, Choucheng Street, Yiwu, Zhejiang	6 November 2017
17	Business Department of Haitong Securities Co., Ltd. in Hongjun Avenue, Jinzhai	Business Department of Haitong Securities Co., Ltd. in Qiupai East Road, Liu'an	Shops S2-1022 & 2022, Outside Walking Street, Wanda Plaza, Qiupai East Road, Jin'an District, Liu'an	21 December 2017

SECTION XIII INFORMATION DISCLOSURE OF SECURITIES COMPANY

(II) Inaugural Administrative Licensing Matters of Directors, Supervisors and Senior Management

No.	Date	Contents
1	March 2017	Shanghai Securities Regulatory Bureau of CSRC issued the Reply of Approval on Qualification of Lam Lee G. as Independent Director of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 30) to the Company, approving qualification of Lam Lee G. as independent director of securities company.
2	March 2017	Shanghai Securities Regulatory Bureau of CSRC issued the Reply of Approval on Qualification of Jiang Chengjun as Manager-level Senior Management of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 33) to the Company, approving qualification of Jiang Chengjun as manager-level senior management of securities company.
3	May 2017	Shanghai Securities Regulatory Bureau of CSRC issued the Reply of Approval on Qualification of Du Hongbo as Manager-level Senior Management of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 41) to the Company, approving qualification of Du Hongbo as manager-level senior management of securities company.
4	May 2017	Shanghai Securities Regulatory Bureau of CSRC issued the Reply of Approval on Qualification of Pan Guangtao as Manager-level Senior Management of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 42) to the Company, approving qualification of Pan Guangtao as manager-level senior management of securities company.
5	August 2017	Shanghai Securities Regulatory Bureau of CSRC issued the Reply of Approval on Qualification of Wu Yuezhou as Director of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 73) to the Company, approving qualification of Wu Yuezhou as director of securities company.
6	December 2017	Shanghai Securities Regulatory Bureau of CSRC issued the Reply of Approval on Qualification of Wu Hongwei as Supervisor of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 104) to the Company, approving qualification of Wu Hongwei as supervisor of securities company.
7	December 2017	Shanghai Securities Regulatory Bureau of CSRC issued the Reply of Approval on Qualification of Rui Zhengxian as Supervisor of Securities Company (Hu Zheng Jian Xu Ke [2017] No. 103) to the Company, approving qualification of Rui Zhengxian as supervisor of securities company.

SECTION XIII INFORMATION DISCLOSURE OF SECURITIES COMPANY

(III) Other Administrative Permissions

<u>Date</u>	<u>Business qualification</u>	<u>Approval organization</u>	<u>Title of approval document</u>	<u>No. of approval</u>
1 January 2017	Permission for Printing Publication of Internal Information	Shanghai Press and Publication Bureau	Permission Number: (K)0772	None
25 May 2017	Radio Station License	Shanghai Radio Administration Bureau	License Number: 310020020183/E0001 Network Number: AM-844-006	None
1 September 2017	Business Licence for Online Market Improvement of Shenzhen Stock Exchange	Shenzhen Stock Exchange	Business Licence No.: SZP2017-047 (validity period)	None
11 September 2017	Certificate for Use of 95553 Telecommunication Numbering Resources	Ministry of Industry and Information Technology of the People's Republic of China	No. [2017]00125-A02/ No. [2017]00550-A01	None

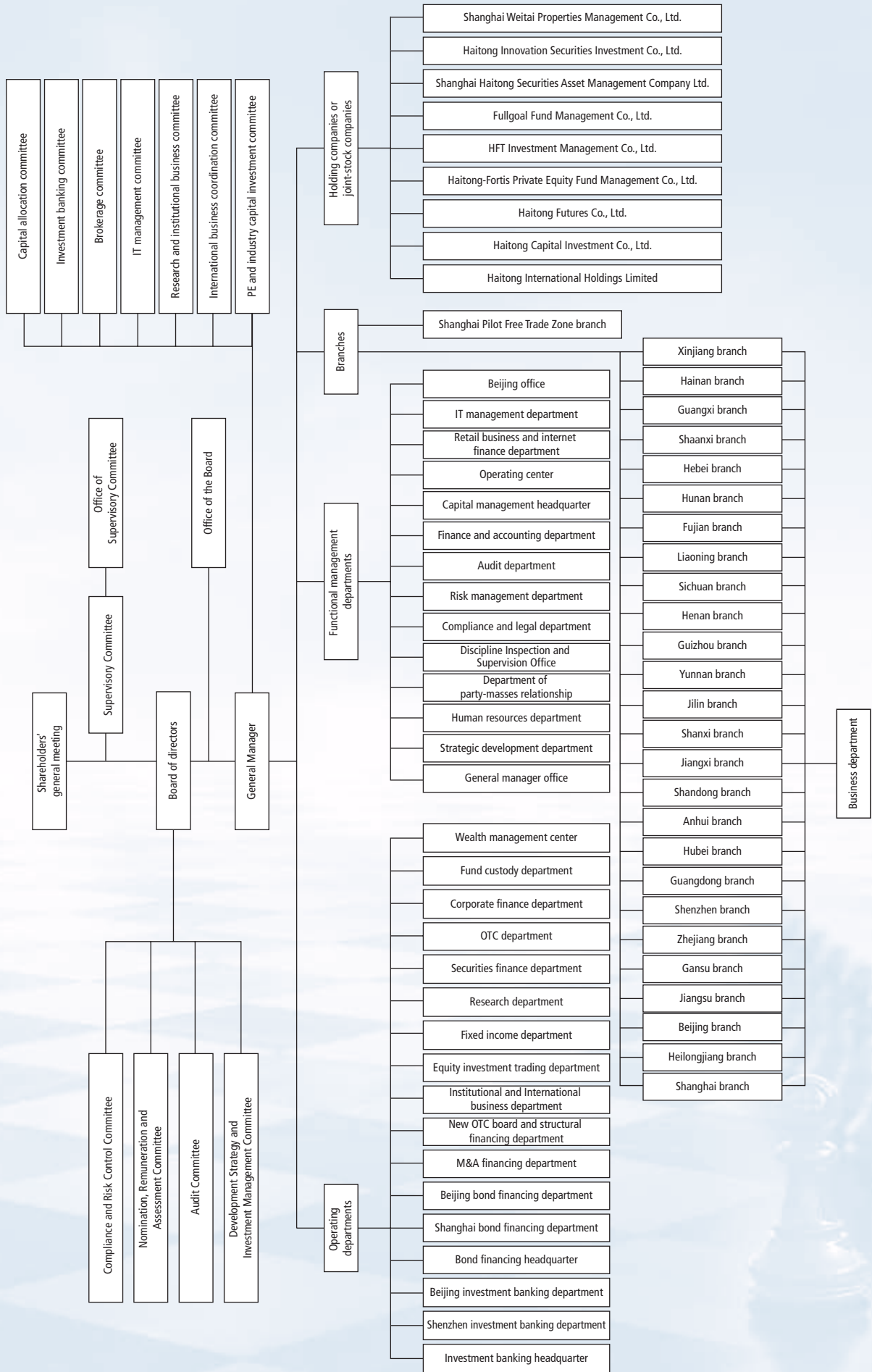
II. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

In 2017, the Company was rated as "Grade AA under Category A" company in classification and evaluation of securities firms.

By order of the Board
Haitong Securities Co., Ltd.
ZHOU JIE
Chairman

Shanghai, the PRC
27 March 2018

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



APPENDIX II

List of branches

No.	branch	Address	Year of establishment	Person in charge
1	Shanghai branch	19, 20/F, No. 285, Jianguo West Road, Xuhui District, Shanghai	2009	Cao Xuesong (曹雪松)
2	Zhejiang branch	4/F, Podium Building B, No. 138, Jiefang Road, Shangcheng District, Hangzhou, Zhejiang	2009	Jin Xiaoyang (金曉陽)
3	Jiangsu branch	No. 188, Guangzhou Road, Nanjing, Jiangsu	2009	Zhao Jianxiang (趙建祥)
4	Shenzhen branch	Rooms B, C, D & E, 49/F, Times Wealth Building, No. 88, Fuhua Third Road, Futian District, Shenzhen	2009	Wu Guohua (吳國華)
5	Guangdong branch	Rooms 901-902, 9/F, No. 8, Zhujiang West Road, Tianhe District, Guangzhou	2009	Cai Zhaopeng (蔡昭鵬)
6	Beijing branch	Room 601, 6/F, Fangyuan Building, No. A56, Zhongguancun South Street, Haidian District, Beijing	2009	Li Jiansheng (李建生)
7	Heilongjiang branch	10/F, Qilu International Hotel, No. 111, Zhongshan Road, Nangang District, Harbin	2009	Hu Haibin (胡海斌)
8	Gansu branch	10/F, Complex, No. 157, Wudu Road, Chengguan District, Lanzhou, Gansu	2009	Han Gang (韓鋼)
9	Hubei branch	No. 144, Zhaojiatiao, Erqi Street, Jiang'an District, Wuhan, Hubei	2009	Wang Song (王宋)
10	Anhui branch	6/F, Xingdu Building, crossing between Huangshan Road and Susong Road, Baohe District, Hefei, Anhui	2009	Sun Wei (孫偉)
11	Jilin branch	Building 4, Xinglan Community (No. 550, Dajing Road), Nangan District, Changchun	2011	Meng Qinglu (孟慶錄)
12	Jiangxi branch	Rooms 4504, 4505 & 4506, Lianfa Square Office Building, No. 129, Lvying Road, Honggutan New Area, Nanchang, Jiangxi	2011	Xiao Pingping (肖萍萍)
13	Shanxi branch	No. 92, Xinjian Road, Xinghualing District, Taiyuan	2011	Wang Gang (王剛)
14	Yunnan branch	No. 162, Dongfeng West Road, Kunming, Yunnan	2011	Zhang Chongde (張崇德)
15	Guizhou branch	No. 1, 12-14/F, North Tower, South-North Building of Tianheng Building, Tianheng City Garden, Fushui North Road, Yunyan District, Guiyang, Guizhou	2011	Zhong Jian (鐘健)
16	Henan branch	6/F, Haitong Securities Building, No. 16, Jingqi Road, Jinshui District, Zhengzhou, Henan	2011	Sun Xiaodong (孫曉東)
17	Shandong branch	2/F, Building D, Shunhuayuan, No. 28, Shungeng Road, Shizhong District, Jinan, Shandong	2011	Lin Peng (林鵬)
18	Sichuan branch	No. 12, Xiaohe Street, Qingyang District, Chengdu	2011	Liu Hongzhi (劉宏志)
19	Liaoning branch	No. 364, Daxi Road, Shenyang, Liaoning	2011	Zhang Long (張龍)

APPENDIX II

No.	branch	Address	Year of establishment	Person in charge
20	Fujian branch	Shop 01, 3/F, Building 1, Riyuexing Garden (now Yuanli Apartment), No. 278, Qunzhong Road, Chating Street, Taijiang District, Fuzhou, Fujian	2011	Lin Yupeng (林毓鵬)
21	Guangxi branch	2/F, Building 3, Yongzhou Hotel, No. 18, Minzhu Road, Xingning District, Nanning, Guangxi	2012	Lu Xiangyang (盧向陽)
22	Hunan branch	6/F, Yinhua Hotel, No. 618, Wuyi Avenue, Furong District, Changsha	2012	Song Jiaqing (宋家清)
23	Shaanxi branch	West Area, 10/F, Haixing Intelligent Square, No. 11, Xixin Street, Xi'an	2012	Meng Liya (孟立亞)
24	Hebei branch	No. 2, Shifan Street, Qiaoxi District, Shijiazhuang	2012	Liu Tao (劉濤)
25	Hainan branch	AVIC Building, No. 15, Longkun North Road, Haikou	2014	Xing Weichang (邢維暢)
26	Xinjiang branch	No. 359, Xinyi Road, High-tech Industrial Development Zone (Xinshi District), Urumqi, Xinjiang	2014	Lin Hai (林海)
27	Shanghai pilot free trade zone branch	Room 1401, 14/F, No. 6, Jilong Road, China (Shanghai) Pilot Free Trade Zone	2014	Xu Li (許莉)

List of Securities Business Departments

No.	Business Department	Address	Person in charge
1	Anqing Huxin North Road Securities Business Department	Rooms 1-2, Building 7, Cinnamomum Camphora Along A Waterfront, West of Huxin North Road, Anqing Development Zone, Anqing, Anhui	Wang Huaiqi (汪懷其)
2	Bengbu Zhongrong Street Securities Business Department	Tianyuan Building, No. 146, Zhongrong Street, Bengbu, Anhui	Wang Lingwei (王凌巍)
3	Bozhou Xiyi Avenue Securities Business Department	No. 442, Xiyi Avenue, Bozhou	Hou Yundong (侯運動)
4	Chuzhou Tianchang East Road Securities Business Department	No. 549, Tianchang East Road, Chuzhou, Anhui	Wan Hao (萬浩)
5	Fuyang Qinghe East Road Securities Business Department	Building 1, Yiqingyuan, Qinghe East Road, Yingzhou District, Fuyang, Anhui	Wu Kan (吳侃)
6	Hefei Huangshan Road Securities Business Department	4/F, Xingdu Building, No. 262, Huangshan Road, Baohe District, Hefei, Anhui	Chen Jie (陳潔)

APPENDIX II

No.	Business Department	Address	Person in charge
7	HuaiBei Xiangshan Road Securities Business Department	Rooms 1017-1018 & 2014-2018, Huiyuan Garden, No. 122, Xiangshan Road, HuaiBei	Huang Baohong (黃保宏)
8	Huainan Dongshan Middle Road Securities Business Department	Office Building of China Construction 4th Engineering 6th Corp. Limited, Zhongxing Community, Dongshan Street, Tianjia'an District, Huainan	Zhao Zhifeng (趙陟峰)
9	Jinzhai Hongjun Avenue Securities Business Department	Hongjun Avenue, Meishan Town, Jinzhai County, Liu'an, Anhui	Qu Yue (曲樂)
10	Ma'anshan Hudong Middle Road Securities Business Department	9-302, Central Garden, Hudong Middle Road, Huashan District, Ma'anshan, Anhui	Wang Shangzhong (王尚鐘)
11	Tongling Changjiang Middle Road Securities Business Department	Room 203, No. 1112, Changjiang Middle Road, Tongguanshan District, Tongling, Anhui	Li Tao (李濤)
12	Wuhu Wenhua Road Securities Business Department	No. 44, Wenhua Road, Wuhu, Anhui	Xia Siqing (夏斯清)
13	Suzhou Bianhe Road Securities Business Department	2/F, West Gate of the Central Square Building, Bianhe Road, Yongqiao District, Suzhou, Anhui	Ni Shixu (倪士旭)
14	Xuancheng Jingting Road Securities Business Department	No. 299, Jingting Road, Xuancheng, Anhui	Zhang Haibo (張海波)
15	Hefei Feicui Road Securities Business Department	Room 301, Block 1, E2 Commercial Site, Zhonghuancheng, No. 2666, Shimen Road, Economic & Technological Development Area, Hefei, Anhui	Chen Ke (陳可)
16	Beijing Guanghua Road Securities Business Department	Room 302, 3/F, Block C, Grand Pacific Building, No. A8, Guanghua Road, Chaoyang District, Beijing	Bai Rubin (白汝斌)
17	Beijing Workers Stadium North Road Securities Business Department	Rooms 301 & 302A, 3/F, Building 1, No. 66, Workers Stadium North Road, Dongcheng District, Beijing	Ma Hui (馬暉)
18	Beijing Zhongguancun South Street Securities Business Department	No. A56, Zhongguancun South Street, Haidian District, Beijing	Liu Yi (劉毅)
19	Beijing Zhichun Road Securities Business Department	5/F, Satellite Building, No. A63, Zhichun Road, Haidian District, Beijing	Wang Song (王宋)
20	Beijing Pinggu Jinxiang Road Securities Business Department	1 & 3/F, No. 1, Jinxiang Road Business Department, Pinggu District, Beijing	Xiong Jun (熊軍)

APPENDIX II

No.	Business Department	Address	Person in charge
21	Beijing Miyun Drum Tower East Street Securities Business Department	East Gate, No. 19-7, Drum Tower East Street, Miyun County, Beijing	Guo Ran (郭冉)
22	Beijing Fuwai Street Securities Business Department	A2010, No. 2, Fuchengmenwai Street, Xicheng District, Beijing	Meng Xiujuan (孟秀娟)
23	Beijing Liangmaqiao Road Securities Business Department	S109A, Building 1, No. 50, Liangmaqiao Road, Chaoyang District, Beijing	Lin Yi (林鷓)
24	Fuan Yangtou Square North Road Securities Business Department	Office B05, 5/F, Building 1, Pearl along Riverside, No. 6, Yangtou Square North Road, Fu'an Urban Area, Fujian	Tang Yongbin (湯永彬)
25	Fuzhou Qunzhong Road Securities Business Department	Shop 01, 3/F, Building 1, Riyuexing Garden (now Yuanli Apartment), No. 278, Qunzhong Road, Chating Street, Taijiang District, Fuzhou, Fujian	Weng Hang (翁航)
26	Quanzhou Tian'an Road Securities Business Department	4/F, Youth Building, Tian'an Road, Quanzhou, Fujian	Zhu Chengkai (朱承凱)
27	Xiamen Lehai Beili Securities Business Department	No. 98-103, Lehai Beili, Jimei District, Xiamen, Fujian	Liu Yanxiang (劉雁翔)
28	Sanming Liedong Street Securities Business Department	Rooms 1701 & 1703, 17/F, Block 11, Mudan Xincun, Meilie District, Sanming, Fujian	Guan Na (管娜)
29	Fuqing Qingchang Avenue Securities Business Department	Room 1206, Office Building A2, Wanda Plaza, Qingchang Avenue, Fuqing, Fuzhou, Fujian	Xue Li (薛立)
30	Longyan Longteng Middle Road Securities Business Department	Room 03, 2/F, Block 56-61, (City Center Garden Phase 3), No. 488, Longteng Middle Road, Xipi Town, Xinluo District, Longyan, Fujian	Su Weijian (蘇偉建)
31	Cheng County East Street Securities Business Department	No. 34, East Street, Chengguan Town, Cheng County, Longnan, Gansu	Hao Xuming (郝續鳴)
32	Jiayuguan Xinhua Middle Road Securities Business Department	No. 28, Xinhua Middle Road, Jiayuguan, Gansu	Wang Baolin (王保林)
33	Jinchang Changchun Road Securities Business Department	China Salt Administration Building, Changchun Road, Jinchang	Zhou Youxue (周有學)
34	Lanzhou Donggang East Road Securities Business Department	No. 2070, Donggang East Road, Chengguan District, Lanzhou, Gansu	Yang Junfeng (楊俊峰)
35	Lanzhou Wudu Road Securities Business Department	No. 157, Wudu Road, Chengguan District, Lanzhou, Gansu	Shen Ziqiang (沈自強)

APPENDIX II

No.	Business Department	Address	Person in charge
36	Lanzhou Tianshui Road Securities Business Department	No. 376, Dingxi South Road, Chengguan District, Lanzhou, Gansu	Su Yi (蘇藝)
37	Lanzhou Xijin West Road Securities Business Department	No. 9, Xijin West Road, Qilihe District, Lanzhou, Gansu	Xu Yi (徐毅)
38	Lanzhou Wanxin South Road Securities Business Department	No. 744, Wanxin South Road, Anning District, Lanzhou, Gansu	Wang Weida (王維達)
39	Qingyang West Street Securities Business Department	No. 22, West Street, Xifeng District, Qingyang, Gansu	Liu Ru (劉儒)
40	Tianshui Dazhong Road Securities Business Department	Dazhong Road, Qinzhou District, Tianshui, Gansu (home appliance area in the inner street, 1/F of Lantian City Square)	Zhou Jun (周軍)
41	Wuwei Jianguo Street Securities Business Department	3/F, Post Building, Jianguo Street, Liangzhou District, Wuwei, Gansu	Wu Yong (武勇)
42	Xining Wusi West Road Securities Business Department	2/F, Block 1, No. 22, Wusi West Road, Chengxi District, Xining, Qinghai	Guo Yanfei (郭燕霏)
43	Dongguan Shenghe Road Securities Business Department	3/F, Tower B, Shenghe Square, Shenghe Road, Nancheng District, Dongguan, Guangdong	Wang Tieping (王鐵平)
44	Foshan Shunde Xinning Road Securities Business Department	Ground Floor, Times Building, No. 60, Xinning Road, Daliang, Shunde District, Foshan, Guangdong	Lin Peigui (林培貴)
45	Guangzhou Dongfeng West Road Securities Business Department	11/F & 12/F, Tower B, No. 195, Dongfeng West Road, Guangzhou	Zhuang Yiqun (莊益群)
46	Guangzhou Baogang Avenue Securities Business Department	North Side of 6/F, Grandbuy Xinyicheng, No. 498, Baogang Avenue, Haizhu District, Guangzhou, Guangdong	Pan Shuming (潘淑明)
47	Guangzhou Zhujiang West Road Securities Business Department	Rooms 903-906, 9/F, No. 8, Zhujiang West Road, Tianhe District, Guangzhou, Guangdong	Tian Xiangming (田向明)
48	Huizhou Yanda First Road Securities Business Department	Shop F05, 6/F, Tai'anju, 3rd Area, Dashi Lake, West of Yanda First Road, Huizhou	Zhu Weiyong (朱偉英)
49	Jieyang Puning Xinhe East Road Securities Business Department	6th and 7th from South of the West-ward Shop, Zhongxin Huafu, Xinhe East Road, Liusha, Puning, Jieyang, Guangdong	Huang Shuolin (黃燦林)

APPENDIX II

No.	Business Department	Address	Person in charge
50	Shantou Zhongshan Middle Road Securities Business Department	Rooms 203 & 303, Fudu Building, No. 205, Zhongshan Road, Shantou, Guangdong	Zhang Zhenwen (張鎮文)
51	Shaoguan Wenhua Street Securities Business Department	1/F of the Annex of Dageda Building, Wenhua Street, Zhenjiang District, Shaoguan	Deng Ziwei (鄧紫薇)
52	Zhongshan Yuelai South Road Securities Business Department	Gate 8 of 1F & 2F, Tower A1, No. 18, Yuelai South Road, Shiqi District, Zhongshan, Guangdong	Li Xiaoxiang (李曉翔)
53	Zhuhai Jiuzhou Avenue East Securities Business Department	Room F in a Shopping Mall, No. 1159, Jiuzhou Avenue East, Jida, Xiangzhou District, Zhuhai, Guangdong	Ma Chufeng (馬楚峰)
54	Guangzhou Huadu Fenghuang North Road Securities Business Department	Room 418, Yongyu Garden Hotel, No. 41, Fenghuang North Road, Xinhua Town, Huadu District, Guangzhou	Huang Haixiang (黃海翔)
55	Jiangmen Yingbin Avenue West Securities Business Department	Room 108, Oriental Plaza Building, No. 3, Yingbin Avenue West, Jiangmen	Lu Xiongbin (盧雄斌)
56	Guilin Lijiang Road Securities Business Department	4/F, No. 4, Lijiang Road, Qixing District, Guilin	Zhang Ning (張寧)
57	Nanning Minzhu Road Securities Business Department	1/F & 2/F, Yongzhou Hotel, No. 18, Minzhu Road, Xingning District, Nanning	Deng Qinhu (鄧欽華)
58	Liuzhou Guizhong Avenue Securities Business Department	No. 3-1, Building 7, Sunshine 100 City Square, No. 2, Guizhong Avenue (South), Liuzhou	Duan Guangjun (段廣軍)
59	Qinzhou Zicai West Street Securities Business Department	Shop 119, Building 1, No. 69, Zicai West Street, Qinzhou	Zhang Lingang (張林剛)
60	Bijie Biyang Avenue Securities Business Department	2-4a# & 2-4b#, 2/F, Yujing Huating (Liucangban Da Lan Community), Hongnan Road, Qixingguan District, Bijie	Zou Yang (鄒楊)
61	Guiyang Fushui North Road Securities Business Department	Tianheng City Garden, No. 66, Fushui North Road, Yunyan District, Guiyang, Guizhou	Zhang Kai (章凱)
62	Guiyang Changling North Road Securities Business Department	No. 4 & 5, 12/F, Building 1, Datang Dongyuan Wealth Square, No. 6, Changling North Road, Guanshanhu District, Guiyang	Li Fuhui (李福輝)
63	Liupanshui Qilin Road Securities Business Department	Shop 16, 1/F, Podium Building of Mingdu Business Square, Northeast of the Crossing between Zhongshan Middle Road and Qilin Avenue, Zhongshan District, Liupanshui, Guizhou	Zhou Hong (周洪)

APPENDIX II

No.	Business Department	Address	Person in charge
64	Zunyi Zhonghua South Road Securities Business Department	3/F, Longjinggou Complex, Zunyi	Huang Zhiyi (黃志義)
65	Haikou Longkun North Road Securities Business Department	AVIC Building, No 15, Longkun North Road, Haikou, Hainan	Xiao Rong (肖蓉)
66	Qinhuangdao Yingbin Road Securities Business Department	No. 100, Yingbin Road, Haigang District, Qinhuangdao	Gu Yue (谷悅)
67	Baoding Dongfeng East Road Securities Business Department	Ground Floor Shop, Renhe Yijia Apartment, No. 215, Dongfeng East Road, Beishi District, Baoding	Liu Tao (劉濤)
68	Shijiazhuang Shifan Street Securities Business Department	No. 2, Shifan Street, Shijiazhuang, Hebei	Xue Chengbin (薛成彬)
69	Shijiazhuang Zhaiying South Street Securities Business Department	Room 302, Commercial Complex, Caiku International Business Center, No. 41, Zhaiying South Street, Yuhua District, Shijiazhuang, Hebei	Ma Xiaoyong (馬驍勇)
70	Cangzhou Shuxi Street Securities Business Department	Room 104, Building 10, Sunshine International, Yunhe District, Cangzhou, Hebei	Yang Haibin (楊海濱)
71	Luoyang Stadium Road Securities Business Department	No. 13, Stadium Road, Xigong District, Luoyang, Henan	Mao Yun (毛贇)
72	Shangqiu Minzhu Road Securities Business Department	Rooms 1309A & 1310A, Hualian International Trade Building, Minzhu Road, Liangyuan District, Shangqiu	Tian Dong (田冬)
73	Xuchang Jianshe Road Securities Business Department	3/F, 4/F & 5/F, Tianlun Building of Chunqiu Square, Jianshe Road, Xuchang, Henan	Gong Lan (龔嵐)
74	Zhengzhou Jingqi Road Securities Business Department	No. 16, Jingqi Road, Zhengzhou, Henan	Dong Yixing (凍逸興)
75	Zhengzhou Hanghai East Road Securities Business Department	Room 2207, Building 1, Futian Wealth Plaza, No. 1394, Hanghai East Road, Zhengzhou Economic and Technological Development Zone	Sun Shijie (孫世傑)
76	Jiaozuo Tanan Road Securities Business Department	Room 602, 6/F, Huarong International, No. 225, Zhanqian Road, Shanyang District, Jiaozuo	Meng Xinke (孟信可)
77	Daqing Chengfeng Avenue Securities Business Department	No. 126, Chengfeng Avenue, Ranghulu District, Daqing, Heilongjiang	Liu Yaxuan (劉亞軒)

APPENDIX II

No.	Business Department	Address	Person in charge
78	Jiagedaqi Renmin Road Securities Business Department	No. 168, Renmin Road, Jiagedaqi District, Daxing Anling Area, Heilongjiang	You Mingzhe (尤明哲)
79	Jiamusi Baowei Road Securities Business Department	Shop 115, Yifu City Apartment, Baowei Community, Baowei Road, Qianjin District, Jiamusi, Heilongjiang	Han Min (韓民)
80	Daqing Kunlun Avenue Securities Business Department	No. 184, Kunlun Avenue, Ranghulu District, Daqing, Heilongjiang	Zhou Guohong (周國洪)
81	Daqing Jingliu Street Securities Business Department	No. 47, Jingliu Street, Sa'ertu District, Daqing, Heilongjiang	Li Gaoping (李高平)
82	Daqing Jingsan Street Securities Business Department	Business Outlets 1-1, 2, 3 and 4 and Business Outlets 2, 3 and 4, Block D, No. 29, Jingsan Street, Sa'ertu District, Daqing	Song Junjie (宋俊頤)
83	Daqing Honggang South Road Securities Business Department	Half of 2/F (Rooms 203, 204 & 205) & Room 402, No. 11, Honggang South Road, Honggang District, Daqing, Heilongjiang	Wang Xibin (王希斌)
84	Harbin Heping Road Securities Business Department	Heping Building, No. 2, Heping Road, Xiangfang District, Harbin, Heilongjiang	Zhao Qun (趙群)
85	Harbin Changjiang Road Securities Business Department	No. 99-5, Changjiang Road, Nangang District, Harbin	Guo Wei (郭威)
86	Harbin Gogol Avenue Securities Business Department	No. 200, Gogol Avenue, Nangang District, Harbin	Qu Pu (曲譜)
87	Harbin Yiman Street Securities Business Department	No. 80, Yiman Street, Nangang District, Harbin, Heilongjiang	Zhao Jia (趙家)
88	Harbin Tongjiang Street Securities Business Department	No. 218, Tongjiang Street, Daoli District, Harbin	Liu Songtao (劉松濤)
89	Harbin Xidazhi Street Securities Business Department	No. 40, Xidazhi Street, Harbin	Zou Qi (鄒祺)
90	Harbin Xinyang Road Securities Business Department	No. 240, Xinyang Road, Daoli District, Harbin	Sun Lei (孫雷)
91	Harbin Zhongshan Road Securities Business Department	No. 111, Zhongshan Road, Nangang District, Harbin	Li Yanli (李延立)
92	Harbin Hulan Beierdao Street Securities Business Department	No. 135, Beierdao Street, Group 2, Committee 4, Shengli Street, Hulan District, Harbin	Tian Ran (田然)

APPENDIX II

No.	Business Department	Address	Person in charge
93	Harbin Shuangcheng Longhua Street Securities Business Department	Business Outlets 28, 29 and 30, 2/F, Block 11, Century Modern City, Longhua Street, Shuangcheng Town, Shuangcheng City	Yao Haitao (姚海濤)
94	Hegang East Jiefang Road Securities Business Department	No. 27, East Jiefang Road, Hegang, Heilongjiang	Hui Pengying (惠鵬鷹)
95	Heihe Zhongyang Street Securities Business Department	No. 258, Zhongyang Street, Aihui District, Heihe, Heilongjiang	Shi Wei (侍偉)
96	Heihe Bei'an Jiaotong Road Securities Business Department	No. 81, Jiaotong Road, Bei'an, Heihe, Heilongjiang	Zhang Chi (張弛)
97	Heihe Nenjiang Nenxing Road Securities Business Department	No. 8, Nenxing Road, Nenjiang County, Heihe, Heilongjiang	Wang Nan (王楠)
98	Jixi Hulin Hongqi Street Securities Business Department	Central Community, Hongqi Street, Hulin Town, Hulin, Jixi, Heilongjiang	He Ming (何明)
99	Jixi Zhongxin Street Securities Business Department	No. 110, Zhongxin Street, Jixi	Guo Haifeng (郭海峰)
100	Jixi Mishan Dong'an Street Securities Business Department	No. 75, Dong'an Street, Mishan Town, Mishan, Jixi, Heilongjiang	Wang Yong (王勇)
101	Daxing'anling Mohe Zhenxing Road Securities Business Department	Post Office Building, Zhenxing Road, Xilinji Town, Mohe County, Daxing'anling Region, Heilongjiang	Yin Ziguang (尹子光)
102	Mudanjiang Mudan Street Securities Business Department	No. 1, Mudan Street, Xi'an District, Mudanjiang, Heilongjiang	Bao Xiuyong (包修勇)
103	Mudanjiang Ping'an Street Securities Business Department	No. 7, West Ping'an Street, Xi'an District, Mudanjiang, Heilongjiang	Liu Wei (劉威)
104	Mudanjiang Dongning Fanrong Street Securities Business Department	No. 75, Fanrong Street, Dongning Town, Dongning County, Mudanjiang, Heilongjiang	Su Xingli (蘇興利)
105	Mudanjiang Hailin Linhai Road Securities Business Department	2/F, BOC Building, No. 65, Linhai Road, Hailin, Mudanjiang, Heilongjiang	Yao Houyu (姚厚宇)
106	Mudanjiang Suifenhe Shancheng Road Securities Business Department	No. 101, Shancheng Road, Suifenhe, Mudanjiang, Heilongjiang	Geng Cheng (庚成)

APPENDIX II

No.	Business Department	Address	Person in charge
107	Qiqihar Nehe Zhongxin Street Securities Business Department	No. 393, Zhongxin Street, Nehe, Qiqihar, Heilongjiang	Zhang Yandong (張彥東)
108	Qitaihe Datong Street Securities Business Department	No. 98, Datong Street, Taoshan District, Qitaihe, Heilongjiang	Dong Tao (董濤)
109	Qiqihar Bukui Street Securities Business Department	No. 42, Bukui Street, Longsha District, Qiqihar, Heilongjiang	Wang Hongwei (王宏偉)
110	Qiqihar Heping Road Securities Business Department	No. 81, Heping Road, Fularji District, Qiqihar, Heilongjiang	Liu Yi (劉義)
111	Qiqihar Anshun Road Securities Business Department	No. 6, Anshun Road, Longsha District, Qiqihar	Tian Yukun (田玉坤)
112	Shuangyashan Wuma Road Securities Business Department	No. 9, Wuma Road, Jianshan District, Shuangyashan, Heilongjiang	Wang Xiaofei (王曉飛)
113	Suihua Anda Niu Street Securities Business Department	No. 235, Niu Street, Anda, Suihua, Heilongjiang	Wang Xichen (王喜臣)
114	Suihua Kangzhuang Road Securities Business Department	Building 16, Century Ark, Kangzhuang Road, Beilin District, Suihua, Heilongjiang	Cheng Shihai (程世海)
115	Yichun Xinxing Middle Road Securities Business Department	Office Building of the City People's Congress, No. 90, Xinxing Middle Road, Yichun District, Yichun, Heilongjiang	Gu Chunming (顧春明)
116	Tianmen Xihu Road Securities Business Department	Part of 4/F, Building 2, Yinzuo Dijingwan (Tianmen CBD), Tianmen Xincheng, Xihu Road, Jingling Office, Tianmen	Fu Guopeng (付國鵬)
117	Macheng Jinqiao Avenue Securities Business Department	(3 storefronts on the east side of 1/F of the office building of the Development and Reform Bureau), No. 61, Jinqiao Avenue, Macheng, Hubei	Li Xiaozhong (李小中)
118	Wuhan Zhaojiatiao Securities Business Department	No. 144, Zhaojiatiao, Erqi Street, Jiang'an District, Wuhan	Gu Hong (顧紅)
119	Wuhan Zhongbei Road Securities Business Department	No. 259, Zhongbei Road, Wuchang District	Zhou Lihua (周麗華)
120	Wuhan Shisheng Road Securities Business Department	6/F, Tower A, No. 1 (Te), Shisheng Road, Hanyang District, Wuhan, Hubei	Bai Lili (柏麗麗)

APPENDIX II

No.	Business Department	Address	Person in charge
121	Xianning Qianshan Road Securities Business Department	No. 6, Qianshan Road, Xian'an District, Xianning, Hubei	Huang Li (黃莉)
122	Yueyang Baling Middle Road Securities Business Department	Room 703, 7/F, Haichuan Building, No. 450, Baling Middle Road, Yueyanglou District, Yueyang	Hu Ming (胡明)
123	Chenzhou Nanling Avenue Securities Business Department	1/F, Zijin Hotel, No. 63, Nanling Avenue, Beihu District, Chenzhou	Li Jie (李傑)
124	Changde Langzhou Road Securities Business Department	4/F, Kaili Building, No. 137, Langzhou Road, Wuling District, Changde	Liu Jianle (劉建樂)
125	Hengyang Zhengyang South Road Securities Business Department	Rooms 604-607, 6/F, Office Building, Chongye Commercial Plaza, No. 2, Zhengyang South Road, Yanfeng District, Hengyang	Cao Songtao (曹松濤)
126	Shaoyang Daijia Road Securities Business Department	2/F of the CCB Branch next to Feicui Xingcheng, Daijia Road, Daxiang District, Shaoyang	Deng Jiabin (鄧家斌)
127	Changsha Wuyi Avenue Securities Business Department	1/F & 6/F, Yinhua Building, No. 618, Wuyi Avenue, Changsha, Hunan	Zhang Wenzhong (張文忠)
128	Dongfeng Dongfeng Road Securities Business Department	Rooms 1-4, Building 2, Tianxing Mingjun, Dongfeng Road, Dongfeng Town, Dongfeng County, Jilin	Qin Jingbo (秦靖波)
129	Jilin Nanjing Street Securities Business Department	No. 104, Nanjing Street, Jilin, Jilin	Song Baohong (宋寶紅)
130	Liaoyuan Renmin Avenue Securities Business Department	No. 2853, Renmin Avenue, Longshan District, Liaoyuan, Jilin	Li Ying (李穎)
131	Songyuan Wulan Street Securities Business Department	No. 2356, Wulan Street, Ningjiang District, Songyuan, Jilin	Ma Ming (馬鳴)
132	Changchun Dajing Road Securities Business Department	No. 550, Dajing Road, Nangan District, Changchun, Jilin	Li Yong (李勇)
133	Nantong Hai'an Zhongba South Road Securities Business Department	No. 19, Zhongba South Road, Hai'an Town, Hai'an County, Nantong, Jiangsu	Zhang Fugui (張富貴)
134	Changshu Haiyu North Road Securities Business Department	No. 20, Haiyu North Road, Changshu, Jiangsu	Su Jiahong (蘇加宏)

APPENDIX II

No.	Business Department	Address	Person in charge
135	Changzhou Jianshen Road Securities Business Department	No. 16, Jianshen Road, Changzhou, Jiangsu	Chen Zhiping (陳志平)
136	Changzhou Guangdian West Road Securities Business Department	No. 310, Guangdian West Road, Wujin District, Changzhou, Jiangsu	Zhang Lei (張蕾)
137	Danyang Dongfang Road Securities Business Department	Outlets No. 5 & 6, Block 2, Dongfangjiayuan, Dongfang Road, Danyang, Jiangsu	Ma Yuefeng (馬躍峰)
138	Huai'an Huaihai North Road Securities Business Department	1/F, 4/F & 5/F, No. 50, Huaihai North Road, Huai'an, Jiangsu	Tang Daquan (唐大權)
139	Jiangdu Longchuan South Road Securities Business Department	No. 139, Longchuan South Road, Xiannv Town, Jiangdu District, Yangzhou, Jiangsu	Xing Yi (邢翼)
140	Jiangyin Chaoyang Road Securities Business Department	1/F, No. 55, Chaoyang Road, Jiangyin, Jiangsu	Liang Zheng (梁正)
141	Kunshan Tongfeng Road Securities Business Department	No. 347 & 349, Tongfeng Road, Kunshan Economic & Technological Development Zone	Xu Jianqiang (徐建強)
142	Liyang Yanshan Middle Road Securities Business Department	A1009-A1012, 1/F, Futian Center, No. 28, Yanshan Middle Road, Licheng Town, Liyang	Jiang Yi (姜怡)
143	Lianyungang Julong South Road Securities Business Department	Room 110, Building 5, Junyue Fortune Plaza, No. 66, Julong South Road, Lianyungang, Jiangsu	Wang Jianguo (王建國)
144	Nanjing Changfu Street Securities Business Department	No. 85-7, Changfu Street, Qinhuai District, Nanjing, Jiangsu	Zhang Songjie (張頌傑)
145	Nanjing Guangzhou Road Securities Business Department	No. 188, Guangzhou Road, Gulou District, Nanjing, Jiangsu	Qian Jingxing (錢敬星)
146	Nantong Renmin Middle Road Securities Business Department	No. 23-6, Renmin Middle Road, Nantong, Jiangsu	Liao Pengfei (繆鵬飛)
147	Suzhou Nanyuan North Road Securities Business Department	No. 31, Nanyuan North Road, Suzhou, Jiangsu	Yue Lan (岳嵐)
148	Taicang Renmin South Road Securities Business Department	Room 107, No. 168, Renmin South Road, Taicang, Jiangsu	Huang Yingda (黃穎達)

APPENDIX II

No.	Business Department	Address	Person in charge
149	Taixing Dongrun Road Securities Business Department	No. 96, Dongrun Road, Taixing	Tang Fanxing (唐凡興)
150	Taizhou Gulou South Road Securities Business Department	No. 315, Gulou South Road, Taizhou	Qiao Leizhang (喬雷璋)
151	Wuxi Jiefang East Road Securities Business Department	No. 1008, Jiefang East Road, Wuxi, Jiangsu	Wu Guohua (吳國華)
152	Suqian Fazhan Avenue Securities Business Department	No. 64, Fazhan Avenue, Suqian, Jiangsu	Tao Ye (陶冶)
153	Xuzhou Zhongshan North Road Securities Business Department	3/F, Longtai Building, No. 12, Zhongshan North Road, Gulou District, Xuzhou, Jiangsu	Yan Xudong (嚴旭東)
154	Yancheng Jianjun Middle Road Securities Business Department	Room 201 (1), Complex Building, No. 68, Jianjun Middle Road, Yancheng, Jiangsu	Ding Zhendong (丁振東)
155	Yangzhou Wenhe South Road Securities Business Department	No. 69, Wenhe South Road, Yangzhou, Jiangsu	Xue Xiaoyan (薛曉雁)
156	Yixing Jiubin South Road Securities Business Department	No. 63, 65 & 67, Jiubin Avenue, Yicheng Street, Yixing	Liang Liang (梁樑)
157	Zhangjiagang Donghuan Road Securities Business Department	No. 123, Donghuan Road, Yangshe Town	Zhu Cuihong (朱翠紅)
158	Zhenjiang Zhongshan West Road Securities Business Department	No. 53, Zhongshan West Road, Zhenjiang, Jiangsu	Cheng Jian (成劍)
159	Suzhou Lize Road Securities Business Department	Room 102, Building 4, Zhentai Community, Songling Town, Wujiang District	Zhao Hong (趙宏)
160	Yangzhou Baoying Suzhong South Road Securities Business Department	No. 6-1038, Jinqiao Life Plaza, Baoying County	Cui Junlan (崔俊嵐)
161	Yancheng Funing Fucheng Street Securities Business Department	No. 296, Fucheng Street, Funing County	Xu Qijun (徐其俊)
162	Yingtian Wuzhou Road Securities Business Department	No. 9, Building 1, Xihujiayuan, West of Wuzhou Road, Yingtian, Jiangxi	Ai Disheng (艾迪生)

APPENDIX II

No.	Business Department	Address	Person in charge
163	Jingdezhen Cidu Avenue Securities Business Department	2/F, No. 1279, Cidu Avenue, Changjiang District, Jingdezhen, Jiangxi	Liang Wei (梁巍)
164	Jiujiang Xunyang East Road Securities Business Department	ICBC Jiujiang Branch Xundong Sub-branch, No. 93, Xunyang East Road, Xunyang District, Jiujiang, Jiangxi	Hong Haiyan (洪海燕)
165	Fuzhou Gandong Avenue Securities Business Department	No. 1533, South Extension of Gandong Avenue, Fuzhou, Jiangxi	Zhong Jinying (鐘瑾瑛)
166	Ganzhou Hongqi Avenue Securities Business Department	1/F-4/F, Building 1, No. 25, Hongqi Avenue, Zhanggong District, Ganzhou, Jiangxi	Liang Xiaohui (梁小輝)
167	Nanchang Nanjing East Road Securities Business Department	Rooms 211-213, 2/F, Office Building, Tianyu International Building, No. 399, Nanjing East Road, Qingshanhu District, Nanchang, Jiangxi	Xiao Fangsheng (肖芳生)
168	Pingxiang Gongyuan Middle Road Securities Business Department	No. 123, Gongyuan Middle Road, Pingxiang	Yu Li (余立)
169	Shangrao Zhongshan West Road Securities Business Department	Flat 2-1, No. 65, Zhongshan West Road, Xinzhou District, Shangrao, Jiangxi	Li Yong (李勇)
170	Xinyu Laodong South Road Securities Business Department	No. 1, Laodong South Road, Xinyu, Jiangxi	Zhu Farong (朱發榮)
171	Xinyu Fenyi Fuqian Road Securities Business Department	No. 5, Fuqian Road, Fenyi County, Jiangxi	Fei Jun (費俊)
172	Yichun Yuanshan Middle Road Securities Business Department	No. 695, Yuanshan Middle Road, Yuanzhou District, Yichun, Jiangxi	Li Guohua (李國華)
173	Yingkou Kunlun Street Securities Business Department	Middle of Kunlun Street (05 – Business Building in the south of Bank of Communications), Bayuquan District, Yingkou	Yu Wencai (于文才)
174	Dandong Xingwu Road Securities Business Department	Building 1, Bawai, Xingwu Road, Zhenxing District, Dandong	Yang Hongbin (楊洪濱)
175	Anshan Erdao Street Securities Business Department	No. 90, Erdao Street, Tiedong District, Anshan	Liu Na (劉娜)
176	Anshan Xiuyan Securities Business Department	Street No. 1 (located in West Unit 7 and Unit 8 of Building No. 2 Yihua Yuan), Xiuyan Town, Xiuyan Manchu Autonomous County, Anshan, Liaoning	Wang Shidong (王世東)
177	Dalian Tianjin Street Securities Business Department	No. 91, Tianjin Street, Zhongshan District, Dalian	Wei Chunmin (衛春敏)

APPENDIX II

No.	Business Department	Address	Person in charge
178	Panjin Renmin Road Securities Business Department	No. 1-48-6, Caimao Garden, Renmin Road, Xinglongtai District, Panjin, Liaoning	Zhao Hong (趙宏)
179	Shenyang Daxi Road Securities Business Department	No. 364, Daxi Road, Shenhe District, Shenyang	Wang Qun (王群)
180	Yingkou Liaohe Street Securities Business Department	No. 9, Liaohe Plaza, Zhanqian District, Yingkou, Liaoning	Qiao Wenxuan (喬文選)
181	Hohhot Xinhua East Street Securities Business Department	3/F, Hecheng Information Complex, No. 395, Dongfeng Road, Xincheng District, Hohhot, Inner Mongolia Autonomous Region	Xu Daobin (許道賓)
182	Weifang Dongfeng West Street Securities Business Department	Room 2-04, Building 1, No. 277, Dongfeng West Street, Weicheng District, Weifang, Shandong	Lv Zhicheng (呂志成)
183	Linyi Suhe South Street Securities Business Department	No. 49-3, Suhe South Street, Lanshan District, Linyi, Shandong	Yang Lei (楊雷)
184	Dongying Dongsan Road Securities Business Department	Room 109, Building B, No. 171, Dongsan Road, Dongying District, Dongying, Shandong	Xu Yongjian (許永健)
185	Feicheng Xincheng Road Securities Business Department	No. 039, Xincheng Road, Feicheng, Shandong	Zhang Yong (張勇)
186	Jinan Quancheng Road Securities Business Department	No. 13, Quancheng Road, Jinan	Zhang Dong (張東)
187	Jinan Hongjialou South Road Securities Business Department	No. 25, Hongjialou South Road, Jinan, Shandong	Yu Hongquan (于洪泉)
188	Qingdao Hangzhou Road Securities Business Department	No. 20, Hangzhou Road, Qingdao	Li Xiaolin (李小林)
189	Qingdao Zhanshan First Road Securities Business Department	No. 25, Zhanshan First Road, Qingdao	Cui Ning (崔寧)
190	Qingdao Jiushui East Road Securities Business Department	No. 9, Jiushui East Road, Licang District, Qingdao	Liu Hongshun (劉洪順)
191	Tai'an Daizong Street Securities Business Department	No. 10, Daizong Street, Tai'an	Xiang Ying (項穎)

APPENDIX II

No.	Business Department	Address	Person in charge
192	Weihai Gaoshan Street Securities Business Department	No. 2, Gaoshan Street, Weihai	Liu Changbo (劉昌波)
193	Yantai Jiefang Road Securities Business Department	No. 164, Jiefang Road, Yantai, Shandong	Qi Jieyun (齊潔雲)
194	Zaozhuang Yanshan Road Securities Business Department	Room 22, Building 1, D Area, Yanshan International, Yanshan Road, Xuecheng District, Zaozhuang	Jiao Xuefu (焦學福)
195	Zibo Shihua Securities Business Department	No. 69, Qilu Chemical Mall, Linzi District, Zibo, Shandong	Jiang Shan (姜山)
196	Zibo Tongji Street Securities Business Department	No. 140, Tongji Street, Zichuan District, Zibo, Shandong	Qi Simin (戚思敏)
197	Zibo Huantai Dongyue Road Securities Business Department	2/F & 3/F, North Tower, Qishang Bank Building, No. 1251, Dongyue Road, Huantai County, Zibo, Shandong	Liu Shanshun (劉善順)
198	Liaocheng Dongchang Road Securities Business Department	No. 10, Dongchang Road, Liaocheng Economic & Technological Development Area, Shandong	Wang Pengfei (王鵬飛)
199	Jincheng Huanghua Street Securities Business Department	First Floor Shop 3, Block 5, Hongxiang Community, Huanghua Street, Jincheng Urban Area, Shanxi	Du Yuqing (都玉清)
200	Taiyuan Xinjian Road Securities Business Department	No. 92, Xinjian Road, Xinghualing District, Taiyuan	Liu Hong (劉虹)
201	Taiyuan Yingze West Street Securities Business Department	No. 386, Yingze West Street, Wanbailin District, Taiyuan	Zhang Bin (張濱)
202	Taiyuan North Street Securities Business Department	No. 109, North Street, Xinghualing District, Taiyuan	Feng Bing (馮冰)
203	Taiyuan Pingyang Road Securities Business Department	No. 105, Pingyang Road, Xiaodian District, Taiyuan, Shanxi	Heng Yufeng (衡宇峰)
204	Datong Yongning Street Securities Business Department	Shop 2, Building 1, Xinhe Garden, Yongning Street, Datong Urban Area, Shanxi	Li Wei (李瑋)
205	Baoji Jing'er Road Securities Business Department	No. 45, Jing'er Road, Weibin District, Baoji	Liu Zhao (劉昭)
206	Hanzhong Tianhan Avenue Securities Business Department	BOC Building, Tianhan Avenue, Hantai District, Hanzhong	Chen Jianfei (陳劍飛)
207	Xi'an Xixin Street Securities Business Department	10/F (No. 11001 & 11002 of Building 1), Haixing Intelligent Square, No. 11, Xixin Street, Xi'an	He Qian (何倩)

APPENDIX II

No.	Business Department	Address	Person in charge
208	Xianyang Shenxing North Road Securities Business Department	3/F, International Commerce Building, No. 1, Shenxing North Road, Xianyang, Shaanxi	Meng Liya (孟立亞)
209	Yulin Yuyang Securities Business Department	Room 01, 3/F, No. 112, Shangjun North Road, Yuyang District, Yulin	Chen Jian (陳劍)
210	Yinchuan Wenhua West Street Securities Business Department	Room B07, 12/F, Block B, Yinchuan International Trade Center, No.106, Wenhua West Street, Xingqing District, Yinchuan	Wu Wei (武偉)
211	Shanghai Xuanhua Road Securities Business Department	Room 709-711, No. 300, Xuanhua Road, Changning District, Shanghai	Lu Kaiyi (陸凱誼)
212	Shanghai Yuyao Road Securities Business Department	No. 420, Yuyao Road, Shanghai	Zhu Jiangli (朱江力)
213	Shanghai Huangpu District Fuzhou Road Securities Business Department	No. 536 & 542, Fuzhou Road and Room P04, No. 1, Lane 188, Zhejiang Middle Road of Huangpu District, Shanghai	Du Jun (杜峻)
214	Shanghai Jiading District Fuhai Road Securities Business Department	1/F, No. 758, Fuhai Road, Jiading District, Shanghai	Xu Jun (徐俊)
215	Shanghai Rushan Road Securities Business Department	Room 202 & 204, No. 233, Rushan Road, Shanghai	Gao Yanhua (高燕華)
216	Shanghai Mudanjiang Road Securities Business Department	No. 263-265, Mudanjiang Road, Shanghai	Lu Yan (陸雁)
217	Shanghai Gonghexin Road Securities Business Department	Room 101, No. 3703, Gonghexin Road, Zhabei District, Shanghai	Lu Zhiquan (盧志泉)
218	Shanghai Zhongdeqiao Road Securities Business Department	No. 2, Zhongdeqiao Road, Shanghai	Mao Jiajun (茅佳俊)
219	Shanghai Putuo District Dahua First Road Securities Business Department	Rooms 101-104, 1/F & Rooms 201&202, 2/F, No. 6, Lane 239, Dahua First Road, Putuo District, Shanghai	Wang Yuan (王園)
220	Shanghai Gushan Road Securities Business Department	1/F & 2/F, No. 619, Gushan Road, China (Shanghai) Pilot Free Trade Zone	Zhang Yingxia (張穎俠)
221	Shanghai Pingwu Road Securities Business Department	No. 38, Pingwu Road, Shanghai	Yang Hong (楊紅)

APPENDIX II

No.	Business Department	Address	Person in charge
222	Shanghai Putuo District Yichuan Road Securities Business Department	1/F & 2/F, No. 363, Yichuan Road, Putuo District, Shanghai	Zhao Hui (趙輝)
223	Shanghai Jianguo West Road Securities Business Department	No. 285, Jianguo West Road, Shanghai	Zhou Jie (周杰)
224	Shanghai Hongkou District Xinjian Road Securities Business Department	Ground floor & 2/F, No. 207 & 211, Xinjian Road, Hongkou District, Shanghai	Xie Wenbo (謝聞博)
225	Shanghai Yangpu District Zhengben Road Securities Business Department	No. 141, Zhengben Road, Yangpu District, Shanghai	Yu Yonghao (于永浩)
226	Shanghai Putuo District Macao Road Securities Business Department	4/F, No. 351, Macao Road, Putuo District, Shanghai	Du Shuang (杜霜)
227	Shanghai Zhoujiazui Road Securities Business Department	No. 3255, Zhoujiazui Road	Li Jianxin (李建新)
228	Shanghai Hefei Road Securities Business Department	No. 293, Hefei Road, Huangpu District, Shanghai	Wang Yi (王軼)
229	Shanghai Tianping Road Securities Business Department	No. 137, Tianping Road, Shanghai	Zhang Feng (張峰)
230	Shanghai Yutian Branch Road Securities Business Department	1-3/F, No. 11, Yutian Branch Road, Shanghai	Lin Jia (林佳)
231	Shanghai Jinshan District Weiqing West Road Securities Business Department	No. 612, Weiqing West Road, Jinshan District, Shanghai	Wang Yajun (王雅君)
232	Shanghai Nanqiao Securities Business Department	No. 381, Nanxing Road, Nanqiao Town, Fengxian District, Shanghai	Zhang Cheng (張成)
233	Shanghai Putuo District Tongchuan Road Securities Business Department	Rooms 102, 125 & 335-345, No. 1601-1613 (singular), Tongchuan Road, Putuo District, Shanghai	Xu Lan (徐嵐)
234	Shanghai Minhang District Wuzhong Road Securities Business Department	B101, 4/F, Building 6, No. 1059, Wuzhong Road, Minhang District, Shanghai	Si Anxiang (司安祥)
235	Shanghai Changning District Tianshan West Road Securities Business Department	1/F & 2/F, No. 169, Tianshan West Road, Changning District, Shanghai	Gu Hongman (谷紅漫)
236	Shanghai Guilin Road Securities Business Department	No. 46, Guilin Road, Xuhui District, Shanghai	Wu Hongzhi (吳宏志)

APPENDIX II

No.	Business Department	Address	Person in charge
237	Shanghai Putuo District Zaoyang Road Securities Business Department	3/F, Building 1, No. 182, Zaoyang Road, Putuo District, Shanghai	Yang Na (楊娜)
238	Shanghai Nanxiang Town Securities Business Department	1/F, No. 681, Deyuan Road and 2/F, No. 3, Lane 685, Deyuan Road of Nanxiang Town, Shanghai	Meng Jiajia (孟佳佳)
239	Shanghai Songjiang District Renmin North Road Securities Business Department	No. 5, 6, 7 & 8, Lane 171, Renmin North Road, Songjiang District, Shanghai	Peng Xiaotong (彭霄彤)
240	Shanghai Qingpu District Qinghu Road Securities Business Department	No. 780, Qinghu Road, Qingpu District, Shanghai	Xu Feng (徐鳳)
241	Shanghai Pudong New Area Chengshan Road Securities Business Department	No. 1250, Chengshan Road, Pudong New Area, Shanghai	Zhang Renci (張任慈)
242	Shanghai Chongming County Beimen Road Securities Business Department	No. 408, Beimen Road, Chengqiao Town, Chongming County, Shanghai	Sang Jialei (桑佳磊)
243	Shenzhen Baoyuan Road Securities Business Department	1902F, Tower D, Baoyuan Wealth Harbor Building, Xixiang Street, Bao'an District, Shenzhen	Chen Xiao (陳曉)
244	Shenzhen Haide Third Road Securities Business Department	Rooms 801-805, 806A, 810A, 811 & 812, 8/F, Tiley Central Plaza, East of Houhai Avenue, Nanshan District, Shenzhen	Zeng Yunbei (曾韻蓓)
245	Shenzhen Branch Hongling Middle Road Securities Business Department	3/F, Zhongshen International Building, No. 2068, Hongling Middle Road, Guiyuan Street, Luohu District, Shenzhen	Wang Lei (王磊)
246	Shenzhen Branch Huafu Road Securities Business Department	Room 500, 5/F (East and West Block) and Rooms 1116-1138, 11/F (East and West Block No.1-3) of Nanguang Building, Huafu Road intersection, Shennan Middle Road, Futian District, Shenzhen	Bao Weihua (包衛華)
247	Shenzhen Branch Hongling South Road Securities Business Department	Shop B, 3/F, Podiums No. 4 & 5, Hongling Building, Hongling South Road, Futian District, Shenzhen	Wan Lanming (萬蘭明)
248	Shenzhen Fuhua Third Road Securities Business Department	Unit B, 3/F, Times Wealth Building, No. 88, Fuhua Third Road (south of downtown area), Futian District, Shenzhen	Huang Kun (黃琨)

APPENDIX II

No.	Business Department	Address	Person in charge
249	Shenzhen Jingtian Road Securities Business Department	2/F, Ruida Court, Jingtian Road, Futian District, Shenzhen	Shen Zhijing (沈志敬)
250	Shenzhen Shennan Avenue Securities Business Department	Room 1208, Tower A, Century Holiday Plaza, No. 9030, Shennan Avenue, Nanshan District, Shenzhen	Liu Chanji (劉嬋吉)
251	Shenzhen Gaoxin South Road Four Securities Business Department	6/F, ZTE R&D Building, No. 13 Gaoxin South Road Four, Nanshan District, Shenzhen	Lin Xinmeng (林新孟)
252	Shenzhen Wanghai Road Securities Business Department	09/F, China Merchants Plaza, Wanghai Road, Shekou, Nanshan District, Shenzhen	Nie Jing (聶靜)
253	Chengdu Renmin West Road Securities Business Department	No. 96, Renmin West Road, Chengdu	Liu Hongzhi (劉宏志)
254	Chengdu Wenjiang District Yangliu East Road Securities Business Department	No. 31, 34 & 83, North Section of Yangliu East Road, Wenjiang District, Chengdu, Sichuan	Xu Jianqiang (徐建強)
255	Shuangliu Tanghu South Road Securities Business Department	3/F, Tianma Building, No. 244, Section 2 of Tanghu South Road, Dongsheng Street, Shuangliu District, Chengdu	Lang Yanyan (郎妍妍)
256	Leshan Tongyue Road Securities Business Department	Room 1, Building 2, No. 26, Tongyue Road, Shizhong District, Leshan	Yang Yan (楊焱)
257	Mianyang Changhong Avenue Securities Business Department	No. 21 (2/F, Block 4, Future City), North Section of Changhong Avenue, Fucheng District, Mianyang	Yang Zhou (楊洲)
258	Zigong Dangui Street Securities Business Department	Room 6, No. 508, Dangui Street, Ziliujing District, Zigong	Chen Xuefeng (陳雪峰)
259	Tianjin Xiaguang Avenue Securities Business Department	8/F, Ningtai Plaza, No. 1, Xiaguang Avenue, Nankai District, Tianjin	Ren Yu (任宇)
260	Urumqi Xinyi Road Securities Business Department	No. 359, Xinyi Road, Urumqi	He Qun (何群)
261	Karamay Junggar Road Securities Business Department	No. 220, Junggar Road (Building 8, New Word Commercial Street), Karamay, Xinjiang	Liu Cengceng (劉層層)
262	Shihezi Beiyi Road Securities Business Department	No. 240, 4th Area, Beiyi Road, Shihezi, Xinjiang	Zhou Jianqiang (周建強)

APPENDIX II

No.	Business Department	Address	Person in charge
263	Dali Erhe South Road Securities Business Department	Aa2-11 – Aa2-13, 2/F, Zhongmin City Square, Xiaguan, Dali	Du Shuai (都帥)
264	Mile Ranweng Road Securities Business Department	2/F, No. 618, Ranweng West Road, Mile	Chen Junjun (陳俊駿)
265	Jinghong Galan Middle Road Securities Business Department	No. 100, Galan Middle Road, Jinghong, Yunnan	Gu Jianxin (顧建新)
266	Kunming Dongfeng West Road Securities Business Department	No. 162, Dongfeng West Road, Kunming	Zheng Li (鄭莉)
267	Jinning Kunyang Street Securities Business Department	Room 13, 2/F, Block 1, Zhenghe Commercial Square, Kunyang Town, Jinning County	Wang Guanhang (王冠珩)
268	Lishui Chengdong Road Securities Business Department	No. 34 & 36-1, Chengdong Road, Liandu District, Lishui, Zhejiang	He Zheng (何崢)
269	Xinchang Qixing Road Securities Business Department	No. 166, Qixing Road, Xinchang County	Zhang Minhua (張敏華)
270	Hangzhou Jiefang Road Securities Business Department	No. 138, Jiefang Road, Hangzhou, Zhejiang	Wang Zheng (汪崢)
271	Hangzhou Huancheng West Road Securities Business Department	No. 46-2, Huancheng West Road, Xiacheng District, Hangzhou, Zhejiang	Ma Jie (馬劫)
272	Hangzhou Wenhua Road Securities Business Department	No.208, Wenhua Road, Chengxiang Street, Xiaoshan District, Hangzhou, Zhejiang	Chen Jianrong (陳建榮)
273	Hangzhou Guali Dongling North Road Securities Business Department	No. 160, Dongling North Road, Guali Town, Xiaoshan District, Hangzhou, Zhejiang	Mu Miao (繆苗)
274	Huzhou Wuxing Shangcheng West Road Securities Business Department	No. 119, Shangcheng West Road, Zhili Town, Huzhou	Jin Bin (金斌)
275	Huzhuo Shaoxi West Road Securities Business Department	1/F & 2/F, No. 265, Shaoxi West Road, Shaoxi Commercial & Residential Building, Wuxing District, Huzhou	Wang Hui (王輝)
276	Jiaxing Zhongshan West Road Securities Business Department	No. 850 & 852, Zhongshan West Road, Jiaxing, Zhejiang	Wang Honglei (王宏雷)
277	Ningbo Baizhang East Road Securities Business Department	11/F, No. 787, Baizhang East Road, Jiangdong District, Ningbo	Wang Yong (王甬)

APPENDIX II

No.	Business Department	Address	Person in charge
278	Ningbo Jiefang North Road Securities Business Department	No. 136-148, Jiefang North Road, Haishu District, Ningbo	Mei Wensheng (梅文勝)
279	Cixi Bei'erhuan East Road Securities Business Department	Room 108, No. 204-206, Bei'erhuan East Road, Gutang Street, Cixi	Cao Jingbo (曹靜波)
280	Shangyu Shimin Avenue Securities Business Department	1-3/F, No. 678, Shimin Road, Baiguan Avenue, Shangyu District, Shaoxing, Zhejiang	Pan Wei (潘偉)
281	Shaoxing Laodong Road Securities Business Department	No. 158, Laodong Road, Shaoxing, Zhejiang	Chen Qing (陳青)
282	Shengzhou Xiqian Street Securities Business Department	No.89, Xiqian Street, Shengzhou, Zhejiang	Zou Ning (鄒寧)
283	Wenzhou Jinxiu Road Securities Business Department	Room 106, 1st Building, Ruikang Commercial Building, Jinxiu Road, Lucheng District, Wenzhou	Cui Haihong (崔海紅)
284	Yiwu Danxi North Road Securities Business Department	1-3/F, No. 222, Danxi North Road, Beiyuan Street, Yiwu, Zhejiang	Xu Dengfu (徐登富)
285	Zhoushan Huancheng West Road Securities Business Department	No. 96, Huancheng West Road, Dinghai District, Zhoushan	Zeng Hongkai (曾宏開)
286	Zhuji Genta East Road Securities Business Department	No. 24, Genta East Road, Jiyang Street, Zhuji	Chen Xintian (陳新天)
287	Jinhua Bayi South Street Securities Business Department	2/F, A Area, Jinhua Commercial City, No. 288, Bayi South Street, Wucheng District, Jinhua, Zhejiang	Wang Haiqin (汪海琴)
288	Taizhou Shifu Avenue Securities Business Department	No. 251-1 & 251-2, Shifu Avenue, Taizhou	Pan Ran (潘然)
289	Chongqing Longhua Avenue Securities Business Department	Unit 6-2, Building 3, Caixin City International, No. 107-9, Longhua Avenue, Longxi Street, Yubei District, Chongqing	Li Guojing (李國靜)
290	Chongqing Zhongshan 3rd Road Securities Business Department	No. 152, Zhongshan 3rd Road, Shangqingsi, Yuzhong District, Chongqing	Yuan Dengfeng (苑登鋒)

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF

HAITONG SECURITIES CO.,LTD.

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

Opinion

We have audited the consolidated financial statements of Haitong Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 249 to 408, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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") 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 International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

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

Key audit matter

How our audit addressed the key audit matter

Impairment of advances to customers on margin financing

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

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

As at 31 December 2017, the Group held advances to customers on margin financing of RMB61,884 million, less impairment allowance of RMB323 million as disclosed in Note 30. RMB131 million of impairment loss was charged in profit or loss in 2017 as disclosed in Note 13.

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

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

INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Impairment of available-for-sale equity financial assets

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

For available-for-sale equity instruments measured at fair value, the Group applied significant judgement to assess whether there is objective evidence of impairment. As disclosed in Note 4, for available-for-sale equity investments measured at fair value, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment.

As at 31 December 2017, the impairment allowance of available-for-sale equity instruments was RMB533 million as disclosed in Note 26.

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

- Understanding the processes and controls in the identification of available-for-sale equity instruments with indicators of impairment;
- Assessing the management judgement in determining whether the available-for-sale equity instruments are impaired;
- Checking, on a sample basis, the data used by management, including quoted market prices and the duration for the continued decline of the fair value below the cost, against market data;
- Checking management's calculations of the impairment allowance for available-for-sale equity instruments.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Impairment of goodwill

We identify the impairment of goodwill as a key audit matter due to the significant judgement applied by the management in assessing impairment.

As disclosed in Note 4, the Group determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate the present value.

As at 31 December 2017, the Group held goodwill of RMB3,864 million. Details of goodwill and impairment testing on goodwill are set out in Note 18 and 20 respectively.

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

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

INDEPENDENT AUDITOR'S REPORT

Key audit matter

How our audit addressed the key audit matter

Consolidation of structured entities

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

As disclosed in Note 4, for collective asset management schemes and investment funds where the Group involves as manager, the Group assesses whether the combination of investments it holds together with its remuneration, credit enhancement and other interests creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

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

Our procedures in relation to consolidation of structured entities included:

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

INDEPENDENT AUDITOR'S REPORT

Other Information

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Man Kai Sze.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
Revenue			
Commission and fee income	5	11,225,083	12,711,293
Interest income	6	15,124,317	16,180,548
Net investment gains	7	9,327,622	6,107,923
		35,677,022	34,999,764
Other income and gains	8	5,647,480	7,492,492
Total revenue, gains and other income		41,324,502	42,492,256
Depreciation and amortisation	9	(485,337)	(379,089)
Staff costs	10	(6,400,066)	(6,168,040)
Commission to account executives		(688,301)	(710,195)
Brokerage transaction fees and other services expenses	11	(980,583)	(1,036,089)
Interest expenses	12	(11,458,392)	(12,340,937)
Other expenses		(9,130,913)	(10,896,614)
Total expenses		(29,143,592)	(31,530,964)
Share of results of associates and joint ventures		708,487	200,435
Profit before income tax	13	12,889,397	11,161,727
Income tax expense	14	(3,013,794)	(2,231,209)
Profit for the year		9,875,603	8,930,518
Profit for the year attributable to:			
Owners of the Company		8,618,423	8,043,334
Non-controlling interests		1,257,180	887,184
Including: Perpetual notes		44,880	32,295
		9,875,603	8,930,518
Earnings per share (Expressed in RMB per share)			
– Basic	15	0.75	0.70
– Diluted	15	0.74	0.70

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Profit for the year	9,875,603	8,930,518
Other comprehensive income/(expense):		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains on defined benefit obligations	3,838	–
Subtotal	3,838	–
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale investments		
Net fair value changes during the year	4,148,546	1,073,293
Reclassification adjustment to profit or loss on disposal	(2,524,774)	(1,724,041)
Reclassification adjustment to profit or loss upon impairment	247,963	240,546
Income tax relating to components of other comprehensive income	(475,647)	123,540
Exchange differences arising on translation of foreign operation	(227,373)	493,983
Share of revaluation (loss) gain of associates and joint ventures	(23,825)	74,262
Fair value loss on hedges of net investments in foreign operations	(354,999)	–
Subtotal	789,891	281,583
Other comprehensive income for the year (net of tax)	793,729	281,583
Total comprehensive income for the year	10,669,332	9,212,101
Attributable to:		
Owners of the Company	10,136,216	7,648,626
Non-controlling interests	533,116	1,563,475
Including: Perpetual notes	44,880	32,295
	10,669,332	9,212,101

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-current assets			
Property and equipment	16	2,862,370	1,615,839
Investment properties	17	16,864	18,059
Goodwill	18	3,863,520	4,118,734
Other intangible assets	19	494,053	467,750
Investments accounted for using equity method	23	10,062,370	8,749,592
Finance lease receivables	24	22,212,628	22,035,884
Available-for-sale investments	26	31,725,358	45,269,933
Loans and advances	41	4,086,897	5,141,634
Held-to-maturity investments	28	–	83,509
Deferred tax assets	54	2,851,450	2,773,812
Other loans and receivables	27	8,098,697	5,684,365
Financial assets held under resale agreements	33	21,204,776	20,922,862
Financial assets at fair value through profit or loss	35	952,338	–
Deposits with exchanges	36	1,347,701	1,592,688
Restricted bank deposits	38	675,568	771,029
Other assets	29	1,076,587	319,207
Total non-current assets		111,531,177	119,564,897
Current assets			
Advances to customers on margin financing	30	61,560,953	63,212,920
Accounts receivable	31	7,442,000	6,929,537
Finance lease receivables	24	21,323,548	14,519,336
Other receivables and prepayments	32	5,544,270	10,228,802
Available-for-sale investments	26	9,503,398	12,758,905
Loans and advances	41	751,375	470,655
Held-to-maturity investments	28	78,718	–
Other loans and receivables	27	21,147,878	32,787,054
Financial assets held under resale agreements	33	75,345,093	63,600,363
Placements to banks and other financial institutions	34	679,092	705,848
Financial assets at fair value through profit or loss	35	98,904,357	92,347,494
Derivative financial assets	50	2,610,612	3,935,071
Deposits with exchanges	36	7,180,974	7,359,343
Clearing settlement funds	37	7,982,729	12,191,899
Deposits with central banks	40	3,445,696	274,303
Deposits with other banks	40	316,134	761,628
Bank balances and cash	38	99,358,329	119,217,791
Total current assets		423,175,156	441,300,949
Total assets		534,706,333	560,865,846

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	2017/12/31 RMB'000	2016/12/31 RMB'000
Current liabilities			
Borrowings	44	45,511,447	46,659,113
Deposits from other banks	42	293,733	14,586
Short-term financing bills payables	45	29,426,762	19,864,117
Placements from banks and other financial institutions	46	5,450,000	3,210,521
Accounts payable to brokerage clients	47	83,774,388	104,059,287
Customer accounts	43	3,750,621	4,757,573
Bonds payable	55	14,739,105	11,103,335
Other payables and accruals	48	17,457,987	19,866,992
Provisions	49	167,343	124,622
Tax liabilities		2,198,613	1,748,846
Financial liabilities at fair value through profit or loss	51	20,031,099	38,063,861
Derivative financial liabilities	50	3,495,454	2,594,009
Financial assets sold under repurchase agreements	52	32,645,727	43,638,525
Deposits from central banks		468,138	–
Total current liabilities		259,410,417	295,705,387
Net current assets		163,764,739	145,595,562
Total assets less current liabilities		275,295,916	265,160,459
Equity			
Share capital	53	11,501,700	11,501,700
Capital reserve		56,357,980	56,338,470
Investment revaluation reserve		2,071,805	784,435
Translation reserve		(445,275)	(675,698)
General reserves	57	17,971,724	15,849,581
Retained profits	57	30,297,545	26,331,639
Equity attributable to owners of the Company		117,755,479	110,130,127
Non-controlling interests		11,938,825	11,828,274
Including: Perpetual notes		1,264,427	1,256,726
Total equity		129,694,304	121,958,401

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTES	2017/12/31 RMB'000	2016/12/31 RMB'000
Non-current liabilities			
Deferred tax liabilities	54	867,320	557,472
Bonds payable	55	115,419,164	117,191,857
Long-term borrowings	44	15,810,543	14,489,442
Long-term payables	56	4,813,699	3,539,521
Financial assets sold under repurchase agreements	52	400,000	93,202
Financial liabilities at fair value through profit or loss	51	712,400	575,770
Deposits from central banks		–	438,408
Placements from banks and other financial institutions	46	6,361,639	5,598,941
Other payables and accruals	48	1,216,847	717,445
Total non-current liabilities		145,601,612	143,202,058
Total equity and non-current liabilities		275,295,916	265,160,459

The consolidated financial statements on pages 249 to 408 were approved and authorised for issue by the Board of Directors on 27 March 2018 and signed on behalf by:

周傑

Chairman of Board

瞿秋平

Executive Director and
General Manager

李礎前

Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company						Non-controlling interests				Total	Total equity
	Share capital RMB'000	Capital reserve RMB'000 (Note a)	Investment revaluation reserve RMB'000	Translation reserve RMB'000	General reserves RMB'000 (Note 57)	Retained profits RMB'000	Total RMB'000	Share of net assets of subsidiaries RMB'000	Share option reserve of a subsidiary RMB'000	Perpetual notes RMB'000 (Note b)		
At 1 January 2017	11,501,700	56,338,470	784,435	(675,698)	15,849,581	26,331,639	110,130,127	10,509,748	61,800	1,256,726	11,828,274	121,958,401
Profit for the year	-	-	-	-	-	8,618,423	8,618,423	1,212,300	-	44,880	1,257,180	9,875,603
Other comprehensive income (expense) for the year	-	-	1,287,370	230,423	-	-	1,517,793	(724,064)	-	-	(724,064)	793,729
Total comprehensive income for the year	-	-	1,287,370	230,423	-	8,618,423	10,136,216	488,236	-	44,880	533,116	10,669,332
Contribution from non-controlling interests	-	186	-	-	-	-	186	115,939	-	-	115,939	116,125
Perpetual notes related expenses	-	(2,474)	-	-	-	-	(2,474)	(1,848)	-	175	(1,673)	(4,147)
Appropriation to general reserves	-	-	-	-	2,122,143	(2,122,143)	-	-	-	-	-	-
Cash dividend distribution to non-controlling interests	-	-	-	-	-	-	-	(470,667)	-	(37,354)	(508,021)	(508,021)
Share-based payments	-	21,798	-	-	-	-	21,798	-	(28,810)	-	(28,810)	(7,012)
Cash dividends recognised as distribution (Note 61)	-	-	-	-	-	(2,530,374)	(2,530,374)	-	-	-	-	(2,530,374)
At 31 December 2017	11,501,700	56,357,980	2,071,805	(445,275)	17,971,724	30,297,545	117,755,479	10,641,408	32,990	1,264,427	11,938,825	129,694,304

Note a: Capital reserve of the Group represents primarily (i) the share premium arisen from the issuance of the Company's shares, and (ii) the difference between the considerations paid over the proportionate share of net assets attributable to the acquisition of additional interests in subsidiaries.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company						Non-controlling interests			Total equity RMB'000	
	Share capital RMB'000	Capital reserve RMB'000 (Note a)	Investment revaluation reserve RMB'000	Translation reserve RMB'000	General reserves RMB'000 (Note 57)	Retained profits RMB'000	Total RMB'000	Share of net assets of subsidiaries RMB'000 (Note b)	Share option reserve of a subsidiary RMB'000		Total RMB'000
At 1 January 2016	11,501,700	56,375,749	1,054,746	(551,301)	13,993,667	25,319,984	107,694,545	9,208,309	24,817	9,233,126	116,927,671
Profit for the year	-	-	-	-	-	8,043,334	8,043,334	887,184	-	887,184	8,930,518
Other comprehensive income (expense) for the year	-	-	(270,311)	(124,397)	-	-	(394,708)	676,291	-	676,291	281,583
Total comprehensive income (expense) for the year	-	-	(270,311)	(124,397)	-	8,043,334	7,648,626	1,563,475	-	1,563,475	9,212,101
Contribution from non-controlling interests	-	-	-	-	-	-	-	123,965	-	123,965	123,965
Changes of equity interests in subsidiaries	-	(37,279)	-	-	-	-	(37,279)	9,981	-	9,981	(27,298)
Perpetual note issued by a subsidiary (Note b)	-	-	-	-	-	-	-	1,197,170	-	1,197,170	1,197,170
Appropriation to general reserves	-	-	-	-	1,855,914	(1,855,914)	-	-	-	-	-
Cash dividend distribution to non-controlling interests	-	-	-	-	-	-	-	(336,426)	-	(336,426)	(336,426)
Share-based payments	-	-	-	-	-	-	-	-	36,983	36,983	36,983
Cash dividend recognised as distribution (Note 61)	-	-	-	-	-	(5,175,765)	(5,175,765)	-	-	-	(5,175,765)
At 31 December 2016	11,501,700	56,338,470	784,435	(675,698)	15,849,581	26,331,639	110,130,127	11,766,474	61,800	11,828,274	121,958,401

Note b: Shares of net assets of subsidiaries include the perpetual notes issued by the subsidiaries. The total balance of perpetual notes issued by the subsidiaries as at 31 December 2016 amounted to RMB1,257 million, which mainly include 1) the balance of perpetual notes amounted to EUR3.7 million, equivalent to RMB27 million issued by Haitong Bank S.A. and 2) the balance of perpetual notes issued by Haitong Unitrust International Leasing Corporation amounted to RMB1,230 million on 11 March 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
OPERATING ACTIVITIES		
Profit before income tax	12,889,397	11,161,727
Adjustments for		
Interest expenses	11,458,392	12,340,937
Share of results of associates and joint ventures	(708,487)	(200,435)
Depreciation and amortisation	485,337	379,089
Gain on other bond investments and held-to-maturity investments	(614,120)	(950,026)
Losses on disposal of property and equipment and other intangible assets	9,111	1,193
Share-based payment of subsidiaries	(7,012)	25,795
Foreign exchange losses/(gains), net	225,472	(10,728)
Net gains arising from available-for-sale investments	(3,109,382)	(2,558,598)
Impairment losses/(reversal) in respect of available-for-sale investments	247,963	(240,546)
Impairment loss in respect of other assets	1,438,695	1,178,947
Operating cash flows before movements in working capital	22,315,366	21,127,355
Decrease/(increase) in deposits and reserve funds and deposits with exchanges	423,356	(1,393,402)
Decrease in loans and advances	404,397	1,712,987
(Decrease)/increase in customer accounts	(1,006,952)	1,938,414
Increase in deposit from central banks and other banks	308,877	16,812
Decrease in deposit with central banks	244,522	560,582
Decrease in advances to customers on margin financing	1,527,042	13,049,204
Increase in accounts and other receivables and prepayments	(6,160,407)	(6,936,400)
Increase in finance lease receivables	(7,374,095)	(9,448,482)
Increase in financial assets held under resale agreements	(12,190,855)	(7,095,274)
Decrease/(increase) in placements to banks and other financial institutions	26,756	(521,514)
(Increase)/decrease in financial assets at fair value through profit or loss	(1,924,656)	15,597,243
(Increase)/decrease in restricted bank deposits	(317,196)	112,407
Decrease in cash held on behalf of clients	19,001,084	29,456,075
Decrease in accounts payable to brokerage clients and other payables and accruals	(21,006,819)	(19,370,717)
(Decrease)/increase in financial liabilities at fair value through profit or loss	(17,896,132)	3,895,903
Decrease in financial assets sold under repurchase agreements	(10,686,000)	(54,844,809)
Increase in placements from other financial institutions	3,002,177	1,549,110
Increase in provisions	42,721	64,011
Cash used in operations	(31,266,814)	(10,530,495)
Income taxes paid, net	(2,898,507)	(4,620,367)
Interest paid	(3,048,135)	(4,117,564)
NET CASH USED IN OPERATING ACTIVITIES	(37,213,456)	(19,268,426)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTES	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Dividends received from associates		187,611	271,647
Purchases of property and equipment and intangible assets		(1,825,444)	(452,431)
Proceeds on disposal of property and equipment		6,383	31,536
Capital injection to associates and joint ventures		(2,180,386)	(4,267,946)
Proceeds on disposal of an associate		1,077,513	618,377
Decrease/(increase) in available-for-sale investments		21,627,919	(11,174,808)
Acquisition of subsidiaries	71, 72	(746,965)	–
Losses on disposing interest in subsidiary		(1,442)	–
Decrease/(increase) in other loan and receivables		16,748,763	(16,611,192)
Decrease in held-to-maturity investments		–	7,019
NET CASH FROM (USED IN) INVESTING ACTIVITIES		34,893,952	(31,577,798)
FINANCING ACTIVITIES			
Dividends paid		(2,894,357)	(5,456,657)
Purchase of additional interests in subsidiaries		–	(233,431)
Proceeds from issuance of subsidiaries' shares		20,036	1,268,470
Proceeds from borrowings raised		42,535,412	33,801,217
Borrowing interest paid		(2,813,172)	(2,316,886)
Proceeds from issuance of convertible bonds		–	3,441,379
Convertible bonds issuing cost paid		–	(4,088)
Perpetual notes issuing related cost paid		(1,673)	–
Non-convertible bond and short-term financing bills payables proceeds		102,211,553	100,531,669
Non-convertible bonds issuing cost paid		(109,090)	(80,638)
Bond interest paid		(5,493,849)	(5,813,329)
Perpetual notes interest paid		(39,828)	(32,295)
Proceeds from share issued upon exercise of share options		8,275	10,256
Repayment of borrowings, short-term bonds, non-convertible bonds and others		(129,450,084)	(91,760,791)
NET CASH FROM FINANCING ACTIVITIES		3,973,223	33,354,876
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,653,719	(17,491,348)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		34,330,647	51,744,586
Effect of foreign exchange rate changes		(4,163,503)	77,409
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	39	31,820,863	34,330,647
Total interest paid		(11,394,984)	(12,284,162)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION OF THE GROUP

The Company was transformed from Shanghai Haitong Securities Company (上海海通証券公司), which was established in 1988, to a limited liability company upon the authorisation by the People's Bank of China in September 1994 and had changed its name to 海通証券有限公司. In December 2001, the Company was further transformed to a joint-stock company upon the approval from China Securities Regulatory Commission (the "CSRC"). In January 2002, the Company changed its name from 海通証券有限公司 to Haitong Securities Co., Ltd. (海通証券股份有限公司). In June 2007, the Company's merger with former Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) was approved by the CSRC, and was listed on the Shanghai Stock Exchange in July in the same year, with its name changed to "Haitong Securities". On 27 April 2012, the Company issued H shares which are listed on The Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The address of the Company's registered office and the principal place of business is Haitong Securities Building, No. 689 Guangdong Road, Shanghai, the People's Republic of China ("PRC").

The Company and its subsidiaries ("The Group") are principally engaged in securities and futures contracts dealing and broking, proprietary trading, margin and other financing, underwriting, assets management, direct equity investments, finance lease business, banking services, corporate finance business, individual finance business, fund management business and provision of investment advisory and consultancy services.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

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

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effective of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 70. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 70, the application of these amendments has had no impact on the Group's consolidated financial statements.

New or revised standards and interpretations that have been issued but not yet effective (for 2017 Dec financial statements)

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

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
IFRS 16	Leases ²
IFRS 17	Insurance Contracts ⁴
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ²

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

New or revised standards and interpretations that have been issued but not yet effective (for 2017 Dec financial statements) (continued)

Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle ¹
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle ²

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

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

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

⁴ Effective for annual periods beginning on or after 1 January 2021

Except for the new and amendments to IFRSs and Interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future:

IFRS 9 Financial instruments

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

New or revised standards and interpretations that have been issued but not yet effective (for 2017 Dec financial statements) (continued)

IFRS 9 Financial instruments (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impacts on initial application of IFRS 9:

Classification and measurement:

- Investments classified as loans and receivables carried at amortised costs as disclosed in note 27: Some of these financial assets are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding ("contractual cash flow characteristics test"). Accordingly, they will continue to be subsequently measured at amortised costs upon the application of IFRS 9. However, some of these financial assets fail contractual cash flow characteristic test under IFRS 9 and the Group will measure these investments at fair value with subsequent fair value gains or losses to be recognized in profit or loss;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

New or revised standards and interpretations that have been issued but not yet effective (for 2017 Dec financial statements) (continued)

IFRS 9 Financial instruments (continued)

Classification and measurement: (continued)

- Debt instruments classified as available-for-sale financial assets carried at fair value as disclosed in note 26: Some of these financial assets satisfy the contractual cash flow characteristics tests, and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling these debt instruments in the open market. Accordingly, these financial assets will continue to be subsequently measured at FVTOCI upon the applications of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the debt instruments are derecognised. However, some of these financial assets which satisfy the contractual cash flow characteristics test, although classified previously as available-for-sale financial assets, are held within a business model whose object is to collect contractual cash flows. Accordingly, these financial assets will be subsequently measured at amortised costs upon the application of IFRS 9. In addition, some of these financial assets fail the contractual cash flow characteristics test and therefore will be measured subsequently at fair value with fair value gains or losses to be recognised in profit or loss instead of other comprehensive income under IFRS 9. On initial application of IFRS 9, investment revaluation reserve relating to (i) those financial assets subsequently measured at amortised costs will be adjusted against the fair value of the financial assets, (ii) and those financial assets subsequently measured at fair value through profit or loss will be transferred to retained profits as at 1 January 2018, respectively.
- Equity instruments, funds and other investments classified as available-for-sale financial assets carried at fair value as disclosed in note 26: Some equity instruments and certain other investments are qualified for designation as measured at FVTOCI under IFRS 9 and the Group elects this option. For these financial assets, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment under IAS 39. This will affect amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income. The Group will not elect the option for designation at FVTOCI for the remaining available-for-sale equity financial assets carried at fair value. Therefore, the remaining equity financial assets, together with funds and other investments not qualified for the designation at FVTOCI, will be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, investment revaluation reserve relating to these remaining financial assets will be transferred to retained profits as at 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

New or revised standards and interpretations that have been issued but not yet effective (for 2017 Dec financial statements) (continued)

IFRS 9 Financial instruments (continued)

Classification and measurement: (continued)

- Debt instruments classified as financial assets at fair value through profit or loss carried at fair value as disclosed in note 35: Some of these financial assets satisfy the contractual cash flow characteristics tests, and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling these debt instruments in the open market. Accordingly, these financial assets will be subsequently measured at FVTOCI upon the applications of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the debt instruments are derecognised.
- The directors of the Company anticipate that the application of the standard may not have a material impact on the Group's other financial assets and liabilities.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provision upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, the adoption of the new classification and measurement basis and expected credit loss model mentioned above in respect of financial assets will slightly decrease the total equity attributable to owners of the Company as at 1 January 2018 by less than 1% of the amount as at 31 December 2017.

Hedge accounting

An assessment of the Group's current hedging relationships indicates that they will qualify as continuing hedging relationships upon application of IFRS 9. The directors of the Company anticipate that the application of the new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

New or revised standards and interpretations that have been issued but not yet effective (for 2017 Dec financial statements) (continued)

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

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

The Group has various types of revenue and income as disclosed in note 5, 6 and 8. Interest income, a significant component of the Group's revenue, is not under the scope of IFRS 15. The Group has assessed the impact of IFRS 15 on the remaining revenue and does not expect that the application of the standard will have a significant impact on recognition or measurement of income from majority of these services. However, the application of IFRS 15 may result in more disclosures in the consolidated financial statements.

IFRS 16 Leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

New or revised standards and interpretations that have been issued but not yet effective (for 2017 Dec financial statements) (continued)

IFRS 16 Leases (continued)

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

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

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

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

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Share-based Payment or value in use in IAS 36 Impairment of Assets.

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable input is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Basis of consolidation (continued)

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interest.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to owner of the company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at the acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Business combinations (continued)

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates of fair value, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Goodwill (continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising from an acquisition in a reporting period, the cash-generating unit(or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with IFRS 5. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates or joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with *IAS 36 Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Investments in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Revenue recognition

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

- (i) Commission income for broking business is recorded as income on a trade date basis, and handling fee income arising from broking business is recognised when services are rendered;
- (ii) Underwriting and sponsors fees are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed;
- (iii) Interest income from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;
- (iv) Financial advisory and consultancy fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered; and
- (v) Assets management fee income is recognised when management services are provided in accordance with the management contracts.
- (vi) Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).
- (vii) The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.
- (viii) Realised gains or losses from available-for-sale investments, financial assets at fair value through profit or loss, financial assets designated at fair value through profit or loss, financial liabilities at fair value through profit or loss, financial liabilities designated at fair value through profit or loss, derivative financial instruments, leveraged foreign exchange transactions and bullion contracts trading are recognised on the transaction dates when the relevant contract notes are executed whilst the unrealised profits or losses are recognised from valuation at the end of the reporting period in accordance with the accounting policies for financial instruments (see the accounting policies below).
- (ix) Revenue arising from bulk commodity trading is recognised when the titles of warehouse receipt have passed to the customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

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

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

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

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Leasehold land and building (continued)

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the leasehold land and entire building elements, the entire lease is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group’s operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Contributions to pension schemes and annuity plans

Payments to defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Employee benefits (continued)

Short-term and other long-term employee benefits (continued)

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

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in the profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

The liability related to the above supplementary benefit obligations existing at the end of each reporting period, is calculated by independent actuaries using the Projected Unit Credit Method and is recorded as a liability in the consolidated statement of financial position. The liability is determined through discounting the amount of future benefits that the employees are entitled for their services in the current and prior periods. The discount rates are based on the yields of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Share-based payment transactions

Share options granted to employees

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

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Share-based payment transactions (continued)

Share options granted to employees (continued)

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Taxation (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and the deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

Property and equipment

Property and equipment including leasehold land (classified as finance lease) and building held for use in the production or supply of goods or services, or for administrative purpose (other than construction in progress), are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Property and equipment (continued)

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	3 – 5%	Over the shorter of the lease term and estimated useful life of buildings of 30 – 40 years
Furniture, fixtures and equipment	3 – 10%	5 – 11 years
Motor vehicles	3 – 10%	5 – 8 years
Electronic equipment	3 – 10%	3 – 5 years
Assets held for operating lease businesses	15%	22-25 years
Leasehold improvements	nil	Over the lease term

Buildings under development for future owner-occupied purpose

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

The above investment properties are depreciated over their estimated useful lives of 30 years and after taking into account their estimated residual value of 3%-5%, using the straight-line method. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

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

Derecognition of Intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Impairment on tangible and intangible assets other than goodwill (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) or in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard in which case the impairment loss is treated as a revaluation decrease under that standard.

Provisions

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

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is held for trading or it is designated as at FVTPL or contingent consideration that may be received by an acquirer as part of a business combination.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

A financial asset other than a financial asset held for trading (or contingent consideration that may be received by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item. Fair value is determined in the manner described in note 68.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans and advances, advances to customers on margin financing, accounts receivable, amount due from subsidiaries, other loan and receivables, financial assets held under resale agreements, deposits with exchange, clearing settlement funds, deposits with central banks and other banks and placements to banks and other financial institutions, bank balances and cash, restricted bank deposits, deposits and other receivables), are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Financial instruments (continued)

Financial assets (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that are quoted in active market and that the Group has the positive intention and ability to hold to maturity other than:

- (a) those that the entity upon initial recognition designates as at fair value through profit or loss;
- (b) those that the entity designates as available for sale; and
- (c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or as available-for-sale not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as AFS financial are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and advances, advances to customers on margin financing, financial assets held under resale agreements and accounts receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment. The group takes into account the amount and nature of the financial assets held by the group in order to determine the individual significant financial assets.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and advances, advances to customers on margin financing, accounts receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan and advance, an advance to customer on margin financing, an account receivable or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

When an available-for-sale investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated under the heading of investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading, financial liabilities designated at FVTPL.

A financial liability is classified as financial liabilities held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivative, and IAS 39 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in the line item in profit or loss and excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including deposits from central banks, deposits from other banks, customer accounts, borrowings, short-term financing bills payables, placements from other financial institutions, accounts payable to brokerage clients, bond payables, financial assets sold under repurchase agreements, other payables and amount due to a subsidiary are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Financial instruments (continued)

Compound financial instruments

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

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

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

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

Derivative financial instruments

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

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

Embedded Derivative

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Financial instruments (continued)

Financial assets sold under repurchase agreements and financial assets held under resale agreements

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets, and are recorded as “available-for-sale investments” or “financial assets at FVTPL” as appropriate. The corresponding liability is included in “financial assets sold under repurchase agreements”. Financial assets held under resale agreements to resell are recorded as “financial assets held under resale agreements”. Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

(a) *Financial assets held under resale agreements*

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under “financial assets held under resale agreements” in the statement of financial position.

(b) *Financial assets sold under repurchase agreements*

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the statement of financial position. The proceeds from selling such assets are presented under “financial assets sold under repurchase agreements” in the statement of financial position.

Hedge accounting

The Group designates certain bank loans for hedges of net investments in foreign operations.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the ‘other gains or losses’ line item.

Gains or losses on the hedging instrument relating to the effective portion of hedge accumulated in the translation reserve are reclassified to profit or loss on disposal of foreign operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Financial instruments (continued)

Securities lending

The Group lends investment securities to clients and the cash collaterals balance required under the securities lending agreements and the interest arisen from these are classified as “accounts payable to brokerage clients”. For those securities held by the Group lent to clients that do not result in the derecognition of financial assets, they are included in related financial assets.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of transferred financial assets, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Financial guarantee contracts

Financial guarantee contract is contract that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument, namely the payment of principal and/or interests. Acceptance includes the honour commitment made by the note sent to customers by the Group. Acceptance is listed as a financial guarantee and credit commitment transaction and is disclosed as contingent liabilities and commitments.

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

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

The financial guarantee contracts issued by the Haitong Bank normally have a stated maturity date and a periodic fee, usually paid in advance on a quarterly basis. This fee varies depending on the counterparty risk, the amount and the term of the contract. Therefore, the fair value of the financial guarantee contracts issued by the Haitong Bank, at the inception date, equal the initial fee received, which is recognised in the income statement over the period to which it relates. The subsequent periodic fees are recognised in the income statement in period to which they relate.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

The Group reviews its loans and advances, advances to customers on margin financing and financial assets held under resale agreements to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is an objective evidence of impairment that will have a measurable decrease in the estimated future cash flows from a portfolio of loans and advances, advances to customers on margin financing and financial assets held under resale agreements. Moreover, the Group also reviews the value of the securities collateral received from the customers in determining the impairment. The Group reviewed the methodology and assumptions used for estimating both the amount and timing of future cash flows regularly to reduce any differences between loss estimates and actual loss experience. Details of loans and advances, advances to customers on margin financing and financial assets held under resale agreements are set out in Notes 41, 30 and 33.

Impairment of finance lease receivables

The Group reviews its finance lease receivables to assess impairment on a regular basis. The impairment loss amount of an individual finance lease receivable is the net decrease in the present value of the estimated future cash flows and the evidence of impairment may include observable data indicating that there is a measurable decrease in the estimated future cash flows of the individual finance lease receivable. The Group periodically reviews its finance lease receivables to assess impairment except that there are known situation demonstrates impairment losses have occurred during that period. The Group makes judgments as to whether there is any observable data indicating that there is an impairment loss should be recorded in the statement of profit or loss from a portfolio of finance lease receivables before the decrease can be identified with an individual finance lease receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Details of finance lease receivables are set out in Note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are set out in Note 20.

Impairment of available-for-sale investments

The determination of whether an available-for-sale investment is impaired requires significant judgment. For listed available-for-sale equity investments and other equity related investments measured at fair value, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgment is required when determining whether a decline in fair value has been significant or prolonged. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost at initial recognition. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economics or the law, as well as industry and sector performance and the consolidated financial statements regarding the investee that provides evidence that the cost of the equity securities may not be recovered. Judgment is also required to determine whether historical performance remains representative of current and future economic conditions. For available-for-sale debt instruments, the Group makes the judgments as to whether there is an objective evidence of impairment which indicates a measurable decrease in the estimated future cash flows of these debt instruments. This requires a significant level of management judgement which would affect the amount of impairment losses in profit or loss. Details of the available-for-sale investments are set out in Note 26.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Consolidation of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as manager, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds together with its remuneration, credit enhancements and other interests creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal. Detail of consolidated structured entities and unconsolidated structured entities are set out in Note 22 and 25 to the consolidated financial statements respectively.

5. COMMISSION AND FEE INCOME

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Commission on securities dealing, broking and handling fee income	4,958,296	6,406,529
Commission on futures and options contracts dealing and broking and handling fee income	511,907	551,135
Financial advisory and consultancy fee income	1,140,135	1,460,984
Underwriting and sponsors fees	2,467,057	2,619,300
Asset management fee income (including fund management income)	2,098,349	1,641,855
Commission on bullion contracts dealing	564	662
Others	48,775	30,828
	11,225,083	12,711,293

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

6. INTEREST INCOME

	2017 RMB'000	2016 RMB'000
Bank interest income	2,897,113	3,164,933
Interest income from advances to customers on margin financing	4,135,956	5,047,767
Interest income from loans and advances	830,783	694,180
Interest income from financial assets held under resale agreements (Note)	4,265,941	4,743,989
Interest income from finance leases	2,675,752	2,401,560
Other interest income	318,772	128,119
	15,124,317	16,180,548

7. NET INVESTMENT GAINS

	2017 RMB'000	2016 RMB'000
Net realised gains arising from available-for-sale investments	3,109,382	2,558,598
Net realised gains arising from financial assets/liabilities at fair value through profit or loss	6,820,343	2,766,728
Fair value change of financial instruments at fair value through profit or loss	(1,329,411)	(231,334)
Net income arising from other loan and receivables	727,308	1,013,931
	9,327,622	6,107,923

8. OTHER INCOME AND GAINS

	2017 RMB'000	2016 RMB'000
Non-recurring government grants (Note)	648,512	568,029
Rental income	99,389	21,623
Includes: Rental income from investment properties	13,832	14,369
Income from bulk commodity trading and others	4,899,379	6,902,840
	5,647,480	7,492,492

Note: The non-recurring government grants were received unconditionally by the Group and its subsidiaries from the local government where they reside. The main purpose is to subsidise the operations of these entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

9. DEPRECIATION AND AMORTISATION

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Depreciation of property and equipment	339,561	280,748
Depreciation of investment properties	1,195	1,195
Amortisation of other intangible assets	127,158	96,643
Amortisation of prepaid lease payments	17,423	503
	485,337	379,089

10. STAFF COSTS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Staff costs (including directors' remuneration (<i>Note 62</i>)):		
Salaries, bonus and allowances	5,266,101	5,124,830
Contributions to annuity plans and retirement schemes (<i>Note</i>)	833,249	674,426
Other social welfare	300,716	368,784
	6,400,066	6,168,040

Note: The domestic employees of the Group in the PRC participate in a state-managed retirement benefit scheme operated by the respective local government in the PRC. Apart from the state-managed retirement benefit scheme, the Group also makes monthly contributions to annuity plans at fixed rates of the employees' salaries and bonuses for the period. The Group operates a post-retirement scheme for its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The Group's contributions to these post-retirements plans are charged to profit or loss in the period to which they relate.

One of the Group's subsidiary in Portugal operated a defined benefit scheme. As at 31 December 2017, the present value of defined benefit obligations and fair value of plan assets in respect of this scheme amounted to EUR72,070,000 (31 December 2016: EUR70,735,000) and EUR72,552,000 (31 December 2016: EUR67,349,000), respectively.

Share option award of subsidiaries is disclosed in Note 64.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

11. BROKERAGE TRANSACTION FEES AND OTHER SERVICES EXPENSES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Securities and futures dealing and broking expenses	948,290	988,559
Services expenses for underwriting and financial advisory, etc.	32,293	47,530
	980,583	1,036,089

12. INTEREST EXPENSES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest on borrowings wholly repayable within five years:		
– bank loans and overdrafts	2,395,041	2,768,182
– deposit taken from banks and other financial institutes	264,058	344,147
– financial assets sold under repurchase agreements (<i>Note</i>)	1,804,899	2,627,625
– accounts payable to brokerage clients	282,433	345,377
– advances from China Securities Finance Corporation Ltd.	91,976	24,382
– bond payables	5,957,070	6,038,402
– others	662,915	192,822
	11,458,392	12,340,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

13. PROFIT BEFORE INCOME TAX

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
The Group's profit before income tax is arrived at after charging (crediting):		
Auditors' remuneration	21,707	24,248
Includes: Annual audit fee for the Company	6,600	7,300
Other subsidiaries' audit fees	15,107	16,609
Others	–	339
Impairment loss in respect of available-for-sale investments included in other expenses	247,963	240,546
Impairment loss (reversal) in respect of accounts receivable and other receivables included in other expenses	52,287	(23,044)
Impairment loss in respect of finance lease receivables included in other expenses	393,139	507,743
Impairment loss in respect of advances to customers on margin financing included in other expenses	130,876	62,843
Impairment loss in respect of financial assets held under resale agreements included in other expenses	164,162	57,841
Impairment loss in respect of customer loans and advances	369,620	373,761
Impairment loss in respect of factoring receivables and entrusted loans	195,587	70,025
Other impairment loss	133,024	129,778
Losses on disposal of property and equipment and other intangible assets	9,111	1,193
Foreign exchange losses/(gains)	225,472	(10,728)
Business taxes and surcharges	165,973	490,686
Cost of sales of bulk commodity trading	4,210,657	5,863,536
Operating lease rentals in respect of rented premises	473,805	407,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

14. INCOME TAX EXPENSE

	2017	2016
	RMB'000	<i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax and other jurisdictions	2,886,612	2,113,828
Hong Kong Profits Tax	480,043	323,379
	3,366,655	2,437,207
Adjustments in respect of current income tax in relation to prior years:		
PRC Enterprise Income Tax and other jurisdictions	23,265	(15,495)
Hong Kong Profits Tax	(41,646)	(30,686)
	(18,381)	(46,181)
Deferred tax:		
Current period	(337,546)	(159,416)
Previous period	3,066	(401)
	3,013,794	2,231,209

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate is 25% from 1 January 2008.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

14. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit before income tax using the applicable rate to the tax expense at the effective tax rate is as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Profit before income tax	12,889,397	11,161,727
Tax at the statutory tax rate of 25%	3,222,349	2,790,432
Effect of share of results of associates and joint ventures	(160,108)	(53,111)
Tax effect of expenses not deductible for tax purpose	764,180	667,132
Tax effect of income not taxable for tax purpose	(521,840)	(986,765)
Adjustments in respect of income tax in relation to prior years	(15,315)	(46,582)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(246,222)	(164,853)
Others	(29,250)	24,956
Tax charge	3,013,794	2,231,209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

15. EARNINGS PER SHARE

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

	2017	2016
	RMB'000	RMB'000
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	8,618,423	8,043,334
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of subsidiaries based on dilution of their earnings per share (<i>Notes i, ii</i>)	(135,636)	(22,810)
Earnings for the purpose of diluted earnings per share	8,482,787	8,020,524
Number of shares for basic and diluted earnings per share:		
Number of shares in issue (in thousand)	11,501,700	11,501,700
Basic earnings per share	0.75	0.70
Diluted earnings per share	0.74	0.70

Notes:

- (i) As disclosed in Note 55, a subsidiary of the Company issued convertible bonds. Diluted earnings per share takes into account the potential impacts to the Group's share of profits of the subsidiary, assuming outstanding convertible bonds were fully converted to ordinary shares of that subsidiary on the first day of the year, or the dates of the issues of these convertible bonds, whichever the later.
- (ii) As disclosed in Note 62, subsidiaries of the Company operated various share option or share awards schemes. Diluted earnings per share takes into account the potential impacts to the Group's share of profits of these subsidiaries when additional shares have to be issued to relevant employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

16. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at 1 January 2017	1,107,723	837,242	1,053,021	455,378	192,538	32,817	3,678,719
Additions during the year	143,394	53,784	174,746	1,166,215	21,588	51,396	1,611,123
Disposals during the year	(5,125)	–	(74,928)	(16,596)	(17,722)	(418)	(114,789)
Transfer during the year	4,898	18,474	17,457	–	668	(41,497)	–
Exchange difference	(4,430)	(3,284)	(3,953)	(1,865)	(4,848)	(1,786)	(20,166)
As at 31 December 2017	1,246,460	906,216	1,166,343	1,603,132	192,224	40,512	5,154,887
ACCUMULATED DEPRECIATION							
As at 1 January 2017	392,003	674,977	719,594	121,203	124,721	–	2,032,498
Provided for the year	34,182	69,796	173,796	39,192	22,595	–	339,561
Eliminated on disposals	–	–	(70,401)	(15,381)	(14,972)	–	(100,754)
Exchange difference	(35)	(3,139)	(4,102)	(266)	(1,628)	–	(9,170)
As at 31 December 2017	426,150	741,634	818,887	144,748	130,716	–	2,262,135
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2017 & 31 December 2017	30,382	–	–	–	–	–	30,382
CARRYING VALUES							
As at 31 December 2017	789,928	164,582	347,456	1,458,384	61,508	40,512	2,862,370

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

16. PROPERTY AND EQUIPMENT (continued)

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
As at 1 January 2016	1,102,905	769,008	944,170	173,747	176,198	25,364	3,191,392
Additions during the year	4,378	45,049	177,033	299,208	26,398	52,923	604,989
Disposals during the year	(4,692)	(1,250)	(91,040)	(8,654)	(17,626)	(4,986)	(128,248)
Transfer during the year	466	20,160	15,793	–	903	(37,322)	–
Exchange difference	4,666	4,275	7,065	(8,923)	6,665	(3,162)	10,586
As at 31 December 2016	1,107,723	837,242	1,053,021	455,378	192,538	32,817	3,678,719
ACCUMULATED DEPRECIATION							
As at 1 January 2016	359,925	610,319	651,948	111,233	110,407	–	1,843,832
Provided for the year	32,050	63,633	146,138	17,389	21,538	–	280,748
Eliminated on disposals	(83)	(1,096)	(84,331)	(7,602)	(14,085)	–	(107,197)
Exchange difference	111	2,121	5,839	183	6,861	–	15,115
As at 31 December 2016	392,003	674,977	719,594	121,203	124,721	–	2,032,498
ALLOWANCE FOR IMPAIRMENT LOSSES							
As at 1 January 2016 & 31 December 2016	30,382	–	–	–	–	–	30,382
CARRYING VALUES							
As at 31 December 2016	685,338	162,265	333,427	334,175	67,817	32,817	1,615,839

Transportation equipment of the Group includes aircraft held for operating lease businesses, as of 31 December 2017, the cost of aircraft amounts to RMB1,430,597,000 (2016: RMB278,867,000), accumulated depreciation amounts to RMB24,089,000 (2016: RMB898,000), and the carrying values of aircraft amounts to RMB1,406,508,000 (2016: RMB277,969,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

16. PROPERTY AND EQUIPMENT (continued)

As the lease payments included in the Group's leasehold land and buildings cannot be allocated reliably between the land and buildings, the entire leases are classified as finance leases and accounted for as property and equipment.

As of 31 December 2017 and 31 December 2016, included in leasehold land and buildings, there are carrying amounts of RMB34,862,908 and RMB36,264,000, respectively, for which the Group have yet to obtain the relevant land and building certificates.

17. INVESTMENT PROPERTIES

	2017/12/31 RMB'000	2016/12/31 RMB'000
COST		
At beginning of the year	37,610	37,610
At end of the year	37,610	37,610
ACCUMULATED DEPRECIATION		
At beginning of the year	19,551	18,356
Provided for the year	1,195	1,195
At end of the year	20,746	19,551
CARRYING VALUES		
At end of the year	16,864	18,059

The fair values of the Group's investment properties at 31 December 2017 and 31 December 2016, were RMB118,162,000 and RMB101,506,000 respectively. The fair values have been determined by the directors of the Company by reference to recent market prices for similar properties in the same or similar locations and conditions. Fair values disclosed above are categorized as level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

18. GOODWILL

Cost and carrying values

	2017/12/31 RMB'000	2016/12/31 RMB'000
At beginning of the year	4,118,734	3,757,597
Additional amount in respect of business combination (Note 71)	4,618	95,568
Exchange adjustments	(259,832)	265,569
At end of the year	3,863,520	4,118,734

Particulars regarding impairment testing on goodwill are disclosed in Note 20.

19. OTHER INTANGIBLE ASSETS

	Trading rights RMB'000	Computer software RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
COST					
As at 1 January 2017	224,131	765,335	98,489	14,744	1,102,699
Additions during the year	1,400	139,450	10,714	9,274	160,838
Disposals during the year	–	(29,042)	(290)	–	(29,332)
Transfer during the year	–	11,825	–	(11,825)	–
Exchange difference	(387)	10,926	(2,996)	(4,130)	3,413
As at 31 December 2017	225,144	898,494	105,917	8,063	1,237,618
ACCUMULATED AMORTISATION					
As at 1 January 2017	118,400	471,543	45,006	–	634,949
Provided for the year	–	121,243	5,915	–	127,158
Eliminated on disposals	–	(27,665)	(208)	–	(27,873)
Exchange difference	–	9,760	(429)	–	9,331
As at 31 December 2017	118,400	574,881	50,284	–	743,565
CARRYING VALUES					
As at 31 December 2017	106,744	323,613	55,633	8,063	494,053

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

19. OTHER INTANGIBLE ASSETS (continued)

	Trading rights <i>RMB'000</i>	Computer software <i>RMB'000</i>	Others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
COST					
As at 1 January 2016	223,757	615,924	92,836	45,720	978,237
Additions during the year	–	95,925	2,800	14,253	112,978
Disposals during the year	–	(6,891)	(50)	(9,452)	(16,393)
Transfer during the year	–	40,181	–	(40,181)	–
Exchange difference	374	20,196	2,903	4,404	27,877
As at 31 December 2016	224,131	765,335	98,489	14,744	1,102,699
ACCUMULATED AMORTISATION					
As at 1 January 2016	118,400	368,827	41,724	–	528,951
Provided for the year	–	93,554	3,089	–	96,643
Eliminated on disposals	–	(4,665)	(50)	–	(4,715)
Exchange difference	–	13,827	243	–	14,070
As at 31 December 2016	118,400	471,543	45,006	–	634,949
CARRYING VALUES					
As at 31 December 2016	105,731	293,792	53,483	14,744	467,750

Trading rights mainly comprise the trading rights in the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Exchanges and Clearing Limited and the Hong Kong Futures Exchange Limited which allow the Group to trade securities and futures contracts on or through these exchanges. The Group treats trading rights as intangible assets with infinite useful lives. Details regarding impairment testing on trading right are disclosed in Note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in Note 18 has been allocated into five individual cash generating units (CGUs), including one subsidiary in Shanghai ("Unit A") and one subsidiary in Hong Kong ("Unit B") and one subsidiary its headquarters are in Hong Kong and operates mainly in Shanghai ("Unit C") and one subsidiary acquired by the Group last year its headquarters are in Portugal ("Unit D") and one subsidiary acquired by the Group last year its headquarters are in Japan ("Unit E") and one subsidiary in Singapore ("Unit F"). The carrying amounts of goodwill as at 31 December 2017 and 31 December 2016 allocated to these units are as follows:

	2017/12/31	2016/12/31
	RMB'000	<i>RMB'000</i>
Unit A – Haitong Futures Co., Ltd.	5,896	5,896
Unit B – Haitong International Securities Group Limited	656,173	702,173
Unit C – Haitong UT Capital Group Co., Ltd.	2,093,268	2,240,013
Unit D – Haitong Bank S.A. (formerly Banco Espirito Santo de Investimento, S.A.)	979,981	1,038,404
Unit E – Haitong International Holdings (UK) Limited (formerly "Japaninvest Group plc")	123,584	132,248
Unit F – G. K. Goh Financial Services (Singapore) Pte. Ltd.	4,618	–
	3,863,520	4,118,734

During the year ended 31 December 2017 and 31 December 2016, management of the Group determined that there are no impairments of any of its CGUs containing goodwill as the recoverable amounts of Unit A, Unit B, Unit C, Unit D, Unit E and Unit F exceed their respective carrying amounts.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of Unit A, Unit B, Unit C, Unit D, Unit E and Unit F have been determined on the basis of value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management and at a discount rate of 3.025% to 15.00% for Unit A, Unit B, Unit C, Unit D, Unit E and Unit F, as at 31 December 2017. (31 December 2016: 3.163% to 15.22% for Unit A, Unit B, Unit C, Unit D and Unit E). The discount rates used reflect specific risks relating to the relevant CGUs.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted income, gross margin and perpetual growth rate, such estimation is based on the units' past performance and management's expectations for the market development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

Impairment testing on goodwill (continued)

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of Unit A, Unit B, Unit C, Unit D, Unit E or Unit F to exceed their respective aggregate recoverable amounts.

Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the three cash generating units relating to brokerage business whereby these trading rights are allocated to, using a value in use calculation, exceed the carrying amounts. Accordingly, there is no impairment of the trading rights as at 31 December 2017 and 31 December 2016.

21. PRINCIPAL SUBSIDIARIES

Investment in subsidiaries:

	2017/12/31 <i>RMB'000</i>	2016/12/31 <i>RMB'000</i>
Unlisted shares, at cost	26,022,222	25,266,156

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

21. PRINCIPAL SUBSIDIARIES (continued)

Details of the principal subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Equity interest held by the Group		Share capital/ registered and paid-up capital	Principal activities
		As at 31 December 2017	As at 31 December 2016		
海富通基金管理有限公司 HFT Investment Management Co., Ltd. ^{*2,4}	PRC	51%	51%	RMB 300,000,000	Provision of fund trading, distribution and management services
海富產業投資基金管理有限公司 Haitong-Fortis Private Equity Fund Management Co., Ltd. ^{*2}	PRC	67%	67%	RMB 100,000,000	Provision of advisory services and fund management services
海通開元投資有限公司 Haitong Capital Investment Co. Ltd. ^{*2} ("HCICL")	PRC	100%	100%	RMB 10,650,000,000	Provision of advisory services and proprietary trading
海通國際控股有限公司 Haitong International Holdings Limited ^{*2} ("HTIH")	Hong Kong	100%	100%	HKD 8,850,000,000	Investment holding and securities trading
海通期貨有限公司 Haitong Futures Co., Ltd. ^{*2}	PRC	66.667%	66.667%	RMB 1,300,000,000	Physical commodities and futures contracts broking and dealing
海通國際證券集團有限公司 Haitong International Securities Group Limited ¹ ("HISGL")	Bermuda	62.43%	61.78%	HKD 550,085,879	Security Company
海通創新證券投資有限公司 Haitong Chuangxin Securities Investment Company Limited ²	PRC	100%	100%	RMB 3,500,000,000	Financial products investment investment advisory and investment management services
上海海通證券資產管理有限公司 Shanghai Haitong Securities Asset Management Company Limited ^{*2}	PRC	100%	100%	RMB 2,200,000,000	Securities investment management
海通恒信金融集團有限公司 Haitong UT Capital Group Co., Limited	Hong Kong	100%	100%	HKD 4,146,162,881	Finance Leasing
海通銀行 Haitong Bank S.A. ("Haitong Bank") ³	Portugal	100%	100%	EUR 844,769,000	Banking Services
上海惟泰置業管理有限公司 Shanghai Weitai Properties Management Co., Ltd. ²	PRC	100%	N/A	RMB 10,000,000	Real estate development, property management and catering management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

21. PRINCIPAL SUBSIDIARIES (continued)

Details of the principal subsidiaries: (continued)

- * English translated name is for identification only.
- 1 In the opinion of directors, further disclosure of information for the indirectly held subsidiaries through HISGL in these financial statements would not add value to the shareholders as the related information is already being included in note the annual report of HISGL for year ended 31 December 2017 currently being available to public.
 - 2 The subsidiary is directly held by the Company.
 - 3 During the year ended 31 December 2017, HTIH raise the capital to Haitong Bank by amount of EUR 0.42 billion. After the capital injection, the share capital of Haitong Bank is EURO.85 billion.
 - 4 On 27 April 2017, HFT Investment Management Co., Ltd transferred their own general reserves and retained profit by amount of RMB133 million and RMB17 million to share capital, respectively. After the transfer, the share capital of HFT Investment Management Co., Ltd is RMB300 million.

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

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

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

Name of subsidiary	Placement of incorporation	Proportion of ownership interests and voting rights held by non controlling interests		Profit allocated to non controlling interests		Accumulated non controlling interests	
		31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
				RMB'000	RMB'000	RMB'000	RMB'000
HISGL	Bermuda	37.57%	38.22%	951,164	574,458	7,966,818	7,675,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

21. PRINCIPAL SUBSIDIARIES (continued)

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

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

	2017/12/31	2016/12/31
	RMB'000	RMB'000
Current assets	92,922,345	97,083,831
Non-current assets	15,933,063	20,548,928
Current liabilities	74,377,418	84,321,463
Non-current liabilities	13,272,726	13,230,420
Total equity	21,205,264	20,080,876
Non-controlling interests of the subsidiary	7,966,818	7,675,170

	2017	2016
	RMB'000	RMB'000
Total income	6,014,390	4,786,359
Total expenses	(3,482,679)	(3,283,381)
Profit for the year	2,531,711	1,502,978
Other comprehensive income	105,291	104,517
Total comprehensive income for the year	2,637,002	1,607,495
Total comprehensive income attributable to the non-controlling interests of the subsidiary	990,722	614,406
Dividends paid to non-controlling interests	314,385	282,554
Net cash outflow from operating activities	(4,415,869)	(2,935,590)
Net cash inflow/(outflow) from investing activities	5,706,545	(11,600,540)
Net cash (outflow)/inflow from financing activities	(3,492,758)	15,220,614
Net cash (outflow)/inflow	(2,202,082)	684,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

22. INTEREST IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including asset management products. For the asset management products where the Group acts as manager, the Group assesses whether the combination of investments it held, if any, together with its remuneration and other interests creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

The financial impact of these asset management products on the Group's financial position as at 31 December 2017 and 31 December 2016, and the results and cash flows for the years ended 2017 and 2016, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities directly held by the Group amounted to fair value of RMB11,917,811,000 and RMB8,272,156,000 at 31 December 2017 and 2016, respectively. It contains the interests in the subordinated tranche of those structured products held by the Group. The Group provides credit enhancement to the senior tranche investors by holding such subordinated tranche interests. As at 31 December 2017 and 2016, the fair value of the Group's interests in the subordinated tranche of those structured products is RMB4,090,020,000 and RMB1,000,811,000 respectively.

Interests held by other interest holders are included in financial liabilities at fair value through profit or loss in the consolidated statement of financial position and the corresponding changes are presented as change in net investment gains in the consolidated statement of profit or loss.

23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	2017/12/31 RMB'000	2016/12/31 RMB'000
Associates:		
Cost of unlisted investments in associates	4,053,890	4,028,231
Share of post-acquisition profits and other comprehensive income, net of dividends received	826,779	766,638
Subtotal for associates	4,880,669	4,794,869
Joint ventures:		
Cost of unlisted investments in joint ventures	5,210,136	4,132,921
Share of post-acquisition loss and other comprehensive income, net of dividends received	(28,435)	(178,198)
Subtotal for joint ventures	5,181,701	3,954,723
Total	10,062,370	8,749,592

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Details of material investments accounted for using equity method:

Name of entity	Place of establishment	Equity interest held by the Group		Principal activities
		As at 31 December 2017	As at 31 December 2016	
Joint ventures				
HT Freedom Multi-Tranche Bond Fund (Note i)	Cayman Islands	38.63%	28.65%	Investment holding
貴安恒信融資租賃(上海)有限公司 (Note ii)	PRC	40%	–	Finance Leasing
Associates				
富國基金管理有限公司 Fullgoal Fund Management Co. Ltd.*	PRC	27.775%	27.775%	Provision of fund trading distribution services
吉林省現代農業和新興產業投資基金有限公司 Jilin Modern Agricultural and Emerging Markets Investment Fund Limited*	PRC	35.71%	37.51%	Investing in securities
西安航天新能源產業基金投資有限公司 Xi'an Aerospace and New Energy Industry Fund*	PRC	37.06%	37%	Investing in securities
上海文化產業股權投資基金合伙企業(有限合伙) Shanghai Cultural Industries Investment Fund (Limited Partnership)*	PRC	42.83%	42.83%	Investing in securities
上海併購股權投資基金合伙企業(有限合伙) Shanghai Equity Investment Fund Limited Partnership*	PRC	33.68%	33.68%	Investing in securities
海通(吉林)現代服務業創業投資基金合伙企業(有限合伙) Haitong (Jilin) Modern Service Industry Investment Fund Limited Partnership*	PRC	34.71%	34.71%	Investing in securities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Name of entity	Place of establishment	Equity interest held by the Group		Principal activities
		As at 31 December 2017	As at 31 December 2016	
Associates (continued)				
海通興泰 (安徽新興產業 投資基金 (有限合伙)) Haitong Xingtai (Anhui) Emerging Industry Investment Fund Limited Partnership*	PRC	28.16%	28.67%	Investing in equity; Investment management services
海通齊東 (威海) 股權投資基金合伙企業 (有限合伙) Haitong Qidong (Weihai) Equity Investment Fund Limited Partnership	PRC	33.96%	33.96%	Investing in equity, Investment management services
廣東南方媒體融合發展投資基金 (有限合伙) Guangdong South Media Integration Fund Limited Partnership	PRC	27.76%	27.76%	Investing in equity, Investment management services
海通 (吉林) 股權投資基金合伙企業 (有限合伙) Haitong (Jilin) Equity Investment Fund Limited Partnership	PRC	27.02%	27.02%	Private equity funds investment
上海彤關投資管理合伙企業 (有限合伙) Shanghai Tong Guan Investment Management Limited Partnership	PRC	50.00%	50.00%	Investing in equity, Investment management services
西安軍融電子衛星基金投資有限公司 Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd	PRC	35.72%	35.72%	Investment management services

* The English translated name is for identification only.

All of these joint ventures and associates are unlisted entities without quoted market price available.

All of these associates and joint ventures are accounted for using the equity method in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Note:

- (i) As of 31 December 2017, the Group held the interests of non-participating shares of Haitong Freedom Multi-Tranche Bond Fund (referred to the "Fund") as disclosed above that the non-participating shares provide the Group with the share of returns from the Fund but not any decision-making power nor any voting right in daily operation of the Fund. As of 31 December 2017, the Group held 50% of the management shares in the Fund and the other 50% management shares are held by an independent third party. The management shareholders are empowered to make all the key financing and operating decisions in the Fund and require unanimous consent of the parties sharing control. The arrangement of sharing of control is contractually agreed by both parties. As such, the interests of the Group in the Fund are classified as a joint venture.

There is no unpaid capital commitment to the Fund. The current carrying amount of RMB4,440 million (31 December 2016: RMB3,186 million) for the Fund in the consolidated statement of financial position represents the Group's maximum exposure over its investment in the Fund.

- (ii) The Group's subsidiaries agreed to establish 貴安恒信融資租賃(上海)有限公司 as a joint venture together with an independent third party. As of 31 December 2017, there is no unpaid capital commitment to the joint venture.

The financial information of Fullgoal Fund Management Co., Ltd which is an individually significant associate to the Group, is set out below:

Fullgoal Fund Management Co., Ltd

	2017/12/31 RMB'000	2016/12/31 RMB'000
Total assets	4,227,516	4,289,660
Total liabilities	1,383,135	1,835,146
Net assets	2,844,381	2,454,514
Total revenue	2,367,618	2,469,505
Net profit	726,063	751,903
Total comprehensive income	719,867	707,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

23. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Fullgoal Fund Management Co., Ltd (continued)

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

	2017/12/31 RMB'000	2016/12/31 <i>RMB'000</i>
Equity attributable to equity holders of the associate	2,844,381	2,454,514
Proportion of equity interests held by the Group	27.775%	27.775%
Carrying amount	790,027	681,741

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

	2017 RMB'000	2016 <i>RMB'000</i>
The Group's share of profit/(loss)	506,822	(8,406)
The Group's share of other comprehensive (expense)/income	(22,103)	86,478
The Group's share of total comprehensive income	484,719	78,072
Aggregate carrying amount of the Group's interests in these associates and joint ventures	9,272,343	8,067,851

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

24. FINANCE LEASE RECEIVABLES

	2017/12/31	2016/12/31
	RMB'000	<i>RMB'000</i>
Minimum lease payments to be received	49,240,968	42,203,604
Less: unrealized finance income	(4,222,749)	(4,336,324)
Balance of finance lease receivables	45,018,219	37,867,280
Less: Allowance for impairment	(1,482,043)	(1,312,060)
Finance lease receivables, net	43,536,176	36,555,220
Analysis by statement purpose:		
Current assets	21,323,548	14,519,336
Non-current assets	22,212,628	22,035,884
	43,536,176	36,555,220

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

	2017/12/31	2016/12/31
	RMB'000	<i>RMB'000</i>
Within 1 year	24,140,952	16,758,152
1~5 years	25,036,034	25,433,807
Over 5 years	63,892	11,645
Total	49,240,968	42,203,604
Unrealized finance income	(4,222,749)	(4,336,324)
Balance of finance lease receivables	45,018,219	37,867,280
Allowance for impairment	(1,482,043)	(1,312,060)
Finance lease receivables, net	43,536,176	36,555,220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

24. FINANCE LEASE RECEIVABLES (continued)

Allowance for impairment:

	2017/12/31			2016/12/31		
	Individual assessment RMB'000	Collective assessment RMB'000	Total RMB'000	Individual assessment RMB'000	Collective assessment RMB'000	Total RMB'000
As at the beginning of the year	338,375	973,685	1,312,060	125,571	682,011	807,582
Addition during the year	225,511	167,628	393,139	224,213	291,674	515,887
Recoveries of amount written-off in previous years	18,657	–	18,657	–	–	–
Written off during the year	(241,813)	–	(241,814)	(11,409)	–	(11,409)
As at the end of the year	340,730	1,141,313	1,482,043	338,375	973,685	1,312,060

25. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Structured entities the Group served as the investment manager, therefore has power over them during the year include private equity funds and asset management products. Except for the structured entities the Group has consolidated as detailed in Note 22, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group acts as manager are not significant. The Group therefore did not consolidate these structured entities.

The carrying amount of unconsolidated structured entities in which the Group acted as investment manager and held financial interests and its maximum exposure to loss in relation to those interests amounted to RMB 9,069,000,000 and RMB 4,797,000,000 as at 31 December 2017 and 31 December 2016, respectively, and related fee income from those structured entities is RMB 1,593,472,000 and RMB 1,125,000,000 respectively.

In addition to those interests in unconsolidated structured entities managed by the Group as disclosed above, the Group also has interests in unconsolidated structured entities in which the Group did not act as investment manager. The total maximum exposure to loss in relation to the Group's interests in structured products and trust products approximate to their respective carrying amounts as disclosed in notes 26 and 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

26. AVAILABLE-FOR-SALE INVESTMENTS

	2017/12/31	2016/12/31
	RMB'000	<i>RMB'000</i>
Debt securities	4,959,363	12,563,689
Equity	7,756,085	11,639,952
Funds	5,018,028	7,339,981
Others (Note ii)	23,495,280	26,485,216
	41,228,756	58,028,838
Analysed as:		
Listed in Hong Kong	56,115	770,025
Listed outside Hong Kong (primarily in Mainland China)	4,661,374	10,831,690
Unlisted	36,511,267	46,427,123
	41,228,756	58,028,838
Analysed as:		
Listed equity securities (Note i)	2,315,782	5,277,291
Unlisted equity securities	5,440,303	6,362,661
	7,756,085	11,639,952
Analysed for reporting purpose as:		
Current assets	9,503,398	12,758,905
Non-current assets	31,725,358	45,269,933
	41,228,756	58,028,838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

26. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

- (i) Included in the Group's listed equity securities are amounts of approximately RMB1,732,080,000 and RMB1,646,561,000 as at 31 December 2017 and 31 December 2016, respectively, which are restricted shares with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.
- (ii) Except for the investment described below, others comprise of structured products and trust products where funds are mainly invested in listed securities or open-ended funds and the Group's return of investment is tied to the result of such investments.

Others also include the investment into a special account managed by China Securities Finance Corporation Limited (the "CSFCL"). As of 31 December 2017, the cost of the investment was RMB15 billion, and the Company determined the fair value on the basis of the report provided by the CSFCL. CSFCL executes unified operation and investment management, while all the investors including the Company share investment risks as well as potential income in proportion to their contributions.

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

As of 31 December 2017, the Company has entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale investments with total fair value of RMB1,517,000 to external clients (31 December 2016: RMB4,165,000). Since the arrangement will be settled by the securities with the same quantity lent, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.

RMB5,383,646,000 and RMB6,179,196,000 cash collateral was received from clients for securities lending arrangement and margin financing activities carried out in the PRC, and reported under accounts payable to brokerage clients (Note 47).

As of 31 December 2017, the impairment allowance of available-for-sale equity instruments was RMB533,104,000 (31 December 2016: RMB564,914,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

27. OTHER LOANS AND RECEIVABLES

	2017/12/31	2016/12/31
	RMB'000	<i>RMB'000</i>
Trust products	623,000	916,800
Structured products	5,074,361	25,552,523
Debt investments	11,906,618	7,269,300
Factoring receivable	10,776,874	3,954,006
Entrusted loans and other loans	1,207,197	924,677
Less: Allowance for doubtful debts	(341,475)	(145,887)
	29,246,575	38,471,419
Analysed for reporting purpose as:		
Current assets	21,147,878	32,787,054
Non-current assets	8,098,697	5,684,365
	29,246,575	38,471,419

28. HELD-TO-MATURITY INVESTMENTS

	2017/12/31	2016/12/31
	RMB'000	<i>RMB'000</i>
Debt securities listed in Hong Kong	78,718	83,509
Analysed for reporting purpose as:		
Current assets	78,718	–
Non-current assets	–	83,509
	78,718	83,509

As of 31 December 2017, the fair value of the held-to-maturity investments was approximately RMB78,867,000 (2016: RMB82,697,000). The related interest rates on such bonds for the year ended 31 December 2017 is 4.1% per annum (2016: 4.1% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

29. OTHER ASSETS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Foreclosed assets	29,099	51,993
Prepaid lease payments	829,519	14,501
Others	217,969	252,713
	1,076,587	319,207

30. ADVANCES TO CUSTOMERS ON MARGIN FINANCING

	2017/12/31 RMB'000	2016/12/31 RMB'000
Loans to margin clients (Note)	61,883,598	63,410,640
Less: Allowance for doubtful debts (Note)	(322,645)	(197,720)
	61,560,953	63,212,920
Analysed for reporting purpose as:		
Current	61,560,953	63,212,920
Non-current	-	-
	61,560,953	63,212,920

Movements in the allowance for doubtful debts are as follows:

	2017/12/31 RMB'000	2016/12/31 RMB'000
At beginning of the year	197,720	134,482
Provision of impairment allowance, net	130,876	62,843
Exchange adjustments	(5,951)	395
At end of the year	322,645	197,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

30. ADVANCES TO CUSTOMERS ON MARGIN FINANCING (continued)

Note: The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

The majority of the loans to margin clients, which are secured by the underlying pledged securities, are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make up the shortfall.

Loans to margin clients as at 31 December 2017 were secured by the customers' securities to the Group as collateral with undiscounted market value of approximately RMB209,005,831,000 (31 December 2016: RMB222,238,904,000).

As at 31 December 2017, included in the Group's accounts payable to brokerage clients were approximately RMB5,383,646,000 (31 December 2016: RMB6,179,196,000) cash collateral received from clients for securities lending and margin financing arrangement.

The directors of the Company are of the opinion that the aging analysis does not give additional value in view of the nature of the business. As a result, no ageing analysis is disclosed. The Group determines the allowance for impaired debts based on the evaluation of collectability and management's judgment including the assessment of change in credit quality, collateral and the past collection history of each client. The concentration of credit risk is limited due to the customer base being large and unrelated.

31. ACCOUNTS RECEIVABLE

	2017/12/31 RMB'000	2016/12/31 RMB'000
Accounts receivable from:		
– Cash clients	377,293	324,699
– Brokers, dealers and clearing house	6,021,541	5,512,817
– Advisory and financial planning	22,787	3,375
– Asset and fund management	793,758	621,846
– Others	342,689	541,004
	7,558,068	7,003,741
Less: allowance for doubtful debts on accounts receivable	(116,068)	(74,204)
	7,442,000	6,929,537
	2017/12/31 RMB'000	2016/12/31 RMB'000
At beginning of the year	74,204	65,440
Addition/(reversal) during the year	48,317	(1,376)
Recoveries of other receivables previously written off	–	10,140
Amounts written off during the year	(6,453)	–
At end of the year	116,068	74,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

31. ACCOUNTS RECEIVABLE (continued)

Aging analysis of accounts receivable from the trade date is as follows:

	2017/12/31 RMB'000	2016/12/31 RMB'000
Between 0 and 3 months	6,746,631	5,776,157
Between 4 and 6 months	226,884	51,333
Between 7 and 12 months	315,730	670,895
Over 1 year	152,755	431,152
	7,442,000	6,929,537

32. OTHER RECEIVABLES AND PREPAYMENTS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Interest receivable	3,703,899	7,422,060
Dividend receivable	3,614	21
Other receivables and prepayments (Note i)	2,302,664	3,268,530
	6,010,177	10,690,611
Less: allowance for doubtful debts on other receivables (Note ii)	(465,907)	(461,809)
	5,544,270	10,228,802

Movements in the allowance for doubtful debts are as follows:

	2017/12/31 RMB'000	2016/12/31 RMB'000
At beginning of the year	461,809	483,187
Addition/(reversal) of impairment allowance, net	4,098	(21,668)
Recoveries of other receivables previously written off	-	300
Amounts written off during the year	-	(10)
At end of the year	465,907	461,809

Notes:

- (i) The other receivables and prepayments mainly represent short-term rental deposits placed with landlords under operating leases, other prepaid expenses for daily operation and other receivable and prepayments items such as prepaid taxes.
- (ii) Included in the allowance for doubtful debts of the Group mainly represents a gross receivable of RMB440,894,000 from an independent third party. In the opinion of the directors of the Company, the recoverability of the receivable is remote and a full provision was made in prior year. As of 31 December 2017, accumulated amounts of RMB109,106,000 (31 December 2016: RMB109,106,000) of the above receivable has been recovered. In 2017, amounts of RMB nil (31 December 2016: RMB22,018,000) of the above receivable were recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

33. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2017/12/31	2016/12/31
	RMB'000	<i>RMB'000</i>
Analysed by collateral type:		
Stock (Note)	76,442,210	54,215,365
Bonds	20,101,753	13,303,923
Fund	220	580
Structured products	350,000	17,183,460
Less: Allowance for doubtful debts	(344,314)	(180,103)
	96,549,869	84,523,225
Analysed by market:		
Stock Exchange	81,599,830	55,630,973
Inter-bank	14,944,353	11,888,895
Over the counter ("OTC")	350,000	17,183,460
Less: Allowance for doubtful debts	(344,314)	(180,103)
	96,549,869	84,523,225
Analysed for reporting purpose as:		
Current	75,345,093	63,600,363
Non-current	21,204,776	20,922,862
	96,549,869	84,523,225

Note: The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchasing the specified securities at a future date with an agreed price.

As of 31 December 2017, for the Group, the carrying amount of these agreements within one year was RMB55,170,609,000 (2016: RMB34,201,058,000), the carrying amount of these agreements over one year was RMB21,271,601,000 (2016: RMB20,014,307,000);

As of 31 December 2017, the fair value of the collateral was RMB215,587,946,000 (2016: RMB200,968,044,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

34. PLACEMENTS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Overseas bank and other financial institutions	679,092	705,848

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Held for trading		
Debt securities	53,886,954	49,811,132
Equity	12,637,664	13,749,786
Funds	12,589,073	5,478,729
Others	542,949	286,444
	79,656,640	69,326,091
Financial assets Designated at fair value through profit or loss		
Debt securities	9,279,810	3,521,754
Equity	3,221,188	3,305,157
Funds	1,908,295	9,058,906
Others	5,790,762	7,135,585
	20,200,055	23,021,042
Analysed as:		
Listed in Hong Kong	10,634,259	5,309,887
Listed outside Hong Kong (primarily in Mainland China)	48,845,711	42,743,537
Unlisted (<i>Notes i, ii</i>)	40,376,725	44,294,070
	99,856,695	92,347,494
Analysed for reporting purpose as:		
Current assets	98,904,357	92,347,494
Non-current assets (<i>Note ii</i>)	952,338	–
	99,856,695	92,347,494

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

- (i) Unlisted financial assets at fair value through profit or loss of the Group include unlisted bond, funds and structured products. The underlying investments of unlisted funds and structured products mainly consist of publicly traded equities and bonds listed in Hong Kong and in Mainland China.
- (ii) Unlisted financial assets at fair value through profit or loss include financial assets acquired by the Group which are driven by the issued structured products and become its underlying investments and hedging items for the risk of economic exposure on these issued structured products as set out in Note 51.

These financial assets are designated at fair value as such instruments, as well as the financial instruments which they are hedging, are risk managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

For these financial assets in connection with structured products with the maturity more than one year, they are classified as non-current assets as they are not expected to be settled within one year.

As at 31 December 2017, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with a total fair value of RMB12,005,000 (2016:RMB13,939,000) to external clients. Since the arrangement will be settled by the securities with the same quantity lent, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

36. DEPOSITS WITH EXCHANGES

	2017/12/31 RMB'000	2016/12/31 RMB'000
Deposits with stock exchanges		
– Shanghai Stock Exchange	653,424	437,579
– Shenzhen Stock Exchange	76,223	85,285
– National Equities Exchange and Quotations	4,200	2,662
– Stock Exchange of Hong Kong Limited	1,254	1,342
Subtotal	735,101	526,868
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	2,545,406	2,166,039
– Dalian Commodity Exchange	1,681,289	808,344
– Zhengzhou Commodity Exchange	337,627	259,596
– China Financial Futures Exchange	1,552,040	3,340,775
– Shanghai Gold Exchange	31,173	7,665
– HKFE Clearing Corporation Limited	8,754	6,087
– The Chinese Gold & Silver Exchange Society	573	614
– Collateral deposits placed with overseas stock exchange and brokers	1,240,906	1,527,605
Subtotal	7,397,768	8,116,725
Guarantee fund paid to Shanghai Stock Exchange	24,155	23,864
Guarantee fund paid to Shenzhen Stock Exchange	22,741	30,528
Deposit with China Securities Finance Corporation Ltd.	188,382	121,761
Deposit with Shanghai Clearing House	–	21,126
Guarantee fund paid to the SEHK Options Clearing House Ltd.	15,740	5,914
Guarantee fund paid to Hong Kong Securities Clearing Company Ltd.	76,375	49,189
Guarantee fund paid to Securities and Futures Commission	293	313
Others	68,120	55,743
Subtotal	395,806	308,438
Total	8,528,675	8,952,031
Analysed for reporting purpose as:		
Current assets	7,180,974	7,359,343
Non-current assets	1,347,701	1,592,688
	8,528,675	8,952,031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37. CLEARING SETTLEMENT FUNDS

	2017/12/31	2016/12/31
	RMB'000	<i>RMB'000</i>
Clearing settlement funds held with clearing houses for:		
House accounts	374,870	2,866,007
Customer	7,607,859	9,325,892
	7,982,729	12,191,899

These clearing settlement funds are held by the clearing houses for the Group and can be withdrawn by the Group at will. These balances carry interest at prevailing market interest rates.

38. BANK BALANCES AND CASH

	2017/12/31	2016/12/31
	RMB'000	<i>RMB'000</i>
General accounts	29,820,328	32,492,200
Cash held on behalf of clients (<i>Note i</i>)	70,213,569	87,496,620
	100,033,897	119,988,820
Less: non-current restricted bank deposits (<i>Note ii</i>)	(675,568)	(771,029)
	99,358,329	119,217,791

Bank balances and cash comprise of cash on hand and demand deposits which bear interest at the prevailing market rates.

Notes:

- (i) The Group received and held money deposited by clients in the course of the conduct of the regulated activities. The Group has recognised the corresponding amount in accounts payable to brokerage clients (*Note 47*). The Group currently does not have a legally enforceable right to offset these payables with deposit placed.
- (ii) The non-current restricted bank deposits are restricted for fund management risk reserve purpose, pledged bank deposit and margin deposits over one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

39. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2017/12/31 RMB'000	2016/12/31 RMB'000
Bank balances and cash – general account	29,820,328	32,492,200
Less: Restricted bank deposits (Note)	(2,106,384)	(1,789,188)
Deposits with other banks	316,134	761,628
Deposits with central banks other than legal reserve	3,415,915	–
Clearing settlement funds – House accounts	374,870	2,866,007
	31,820,863	34,330,647

Note: The liquidity restrictive deposits are margin deposits of notes receivable, margin deposits of borrowings and other pledge of bank deposits within one year.

40. DEPOSITS WITH CENTRAL BANKS AND OTHER BANKS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Deposits with central banks other than legal reserve	3,415,915	260,201
Legal reserve	29,781	14,102
	3,445,696	274,303
Deposits with other banks	316,134	761,628
	3,761,830	1,035,931

Deposit with central banks other than legal reserve is repayable on demand. Legal reserve deposits are non-interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

41. LOANS AND ADVANCES

	2017/12/31 RMB'000	2016/12/31 RMB'000
Customer loans and advances	5,756,475	7,475,938
Less: Impairment loss allowances calculated on a collective basis	(17,038)	(21,194)
Less: Impairment loss allowances calculated on an individual basis	(901,165)	(1,842,455)
	4,838,272	5,612,289
Analysed for reporting purpose as:		
Current assets	751,375	470,655
Non-current assets	4,086,897	5,141,634
	4,838,272	5,612,289

42. DEPOSITS FROM OTHER BANKS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Deposits from other banks	293,733	14,586

43. CUSTOMER ACCOUNTS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Demand deposits – corporate	473,690	134,728
Time deposits – corporate	2,425,291	4,376,874
Demand deposits – individual	1,885	1,896
Time deposits – individual	849,755	244,075
	3,750,621	4,757,573
Analysed for reporting purpose as:		
Current	3,750,621	4,757,573
Non-current	–	–
	3,750,621	4,757,573

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

44. BORROWINGS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Secured borrowings:		
Short-term borrowings (Note)	4,995,954	9,957,771
Long-term borrowings (Note)	21,657,134	20,650,430
Unsecured borrowings:		
Short-term borrowings	25,716,876	28,606,996
Long-term borrowings	8,952,026	1,933,358
	61,321,990	61,148,555
Current liabilities:		
Short-term borrowings	30,712,830	38,564,767
Long-term borrowings due within one year	14,798,617	8,094,346
	45,511,447	46,659,113
Non-current liabilities:		
Long-term borrowings	15,810,543	14,489,442
	61,321,990	61,148,555

Note: Bank loans of approximately to RMB653 million (31 December 2016: RMB694 million) are secured by bonds with fair value of approximately to RMB781 million (31 December 2016: RMB750 million).

Bank loans of approximately to RMB200.67 million (31 December 2016: RMB200.67 million) are secured by RMB200 million time deposit and margin deposit of RMB20,000.

Bank loans of approximately to RMB484 million (31 December 2016: RMB518 million) are secured by fixed term deposit of RMB550 million.

Bank loans of approximately to RMB515 million (31 December 2016: Nil) are secured by the land of 4/2, No.169, The Bund Street and the 100% shares of the Shanghai Weitai Property Management Co., Ltd. held by the Group.

Bank loans of RMB1,181 million (31 December 2016: RMB4,498 million) are secured by the listed shares (held by the Group as security for advances to customers on margin financing with the customers' consents) of approximately to RMB10,826 million at fair value (31 December 2016: RMB16,255 million). Bank loans of RMB519 million (31 December 2016: RMB302 million) are secured by the unlisted debt investments and unlisted structured products of RMB1,194 million (31 December 2016: RMB1,718 million) held by the Group and presented in "financial assets designed at fair value through profit or loss" to the consolidated statement of financial position.

Bank loans of RMB2,006 million (31 December 2016: RMB1,610 million) are secured by the investment fund of RMB2,599 million at fair value (31 December 2016: RMB1,964 million) which is the dealing price of that fund derived from the net asset values of that fund with reference to observable quoted price of underlying investment portfolio in active markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

44. BORROWINGS (continued)

Note: (continued)

Bank loans of current portion approximately to RMB2,967 million (31 December 2016: approximately to RMB2,546 million) and non-current portion approximately to RMB2,070 million (31 December 2016: RMB1,938 million) are secured by the shares of Haitong UT Capital and Haitong Bank respectively.

Non-current portion bank loan of RMB5,981 million (31 December 2016: RMB8,254 million) and current portion bank loan of RMB7,815 million (31 December 2016: RMB8,719 million) are secured by the finance leases receivable of RMB21,589 million (31 December 2016: RMB26,283 million).

Non-current portion bank loan of RMB2,051 million (31 December 2016: RMB1,526 million) is secured by listed debt securities of approximately RMB2,032 million (31 December 2016: RMB1,387 million) at fair value.

45. SHORT-TERM FINANCING BILLS PAYABLES

	2017/12/31 RMB'000	2016/12/31 RMB'000
Analysed as:		
Inter-bank (Note i)	5,595,758	–
Other (Note ii)	23,831,004	19,864,117
	29,426,762	19,864,117

Notes:

- (i) On 6 March 2017, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued short-term commercial paper in principal amount of RMB1,000 million which carries a fixed annual interest rate of 4.63% with a maturity period of 1 year.

On 3 August 2017, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued super short-term commercial paper in principal amount of RMB1,000 million which carries a fixed annual interest rate of 4.66% with a maturity period of 9 months.

On 16 October 2017, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued super short-term commercial paper in principal amount of RMB1,000 million which carries a fixed annual interest rate of 4.88% with a maturity period of 9 months.

On 23 October 2017, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued super short-term commercial paper in principal amount of RMB1,000 million which carries a fixed annual interest rate of 4.95% with a maturity period of 9 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

45. SHORT-TERM FINANCING BILLS PAYABLES (continued)

Notes: (continued)

On 15 November 2017, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued super short-term commercial paper in principal amount of RMB1,000 million which carries a fixed annual interest rate of 5.25% with a maturity period of 9 months.

On 18 December 2017, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued super short-term commercial paper in principal amount of RMB600 million which carries a fixed annual interest rate of 5.49% with a maturity period of 5 months.

- (ii) The short-term income certificates issued by the Company and the subsidiary of the Group with maturities ranged from 7 days to 12 months. The coupon rate of the outstanding products were between 2.90% and 5.80%.

On 2 March 2017, the Group's subsidiary HISGL issued a medium term note in principal amount of HKD240 million at par which carries a fixed annual interest rate of 5.60% with a maturity period of 1 year. As at 31 December 2017, the outstanding loan balance of the medium term note is HKD240 million (equivalent to RMB201 million).

On 8 December 2017, the Group's subsidiary HISGL issued a medium term note in principal amount of HKD360 million at par which carries a fixed annual interest rate of 5.36% with a maturity period of 1 year. As at 31 December 2017, the outstanding loan balance of the medium term note is HKD360 million (equivalent to RMB301 million).

On 26 May 2017, the Group's wholly owned subsidiary Unican Limited issued medium term notes in principal amount of USD100 million (equivalent to RMB650 million) which carries a fixed annual interest of 3.20% with a maturity period of 1 year.

On 1 September 2017, the Group's wholly owned subsidiary Unican Limited issued medium term notes in principal amount of USD120 million (equivalent to RMB782 million) which carries a fixed annual interest of 3.20% with a maturity period of 1 year.

46. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Placements from banks	6,811,639	7,509,462
Placements from China Securities Finance Corporation Ltd.	5,000,000	1,300,000
	11,811,639	8,809,462
Analysed for reporting purpose as:		
Current liabilities	5,450,000	3,210,521
Non-current liabilities	6,361,639	5,598,941
	11,811,639	8,809,462

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

47. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balance is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

Accounts payable mainly include money held on behalf of clients at the banks and at the clearing houses by the Group.

As at 31 December 2017 included in the Group's accounts payable to brokerage clients were approximately RMB5,383,646,000 (31 December 2016: RMB6,179,196,000) cash collateral received from clients for securities lending and margin financing arrangement.

Accounts payable to brokerage clients is interest bearing at the prevailing interest rate.

48. OTHER PAYABLES AND ACCRUALS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Payable to employees (Note i)	4,890,342	4,722,531
Other tax payable	412,433	642,793
Dividends payable	19,198	7,536
Risk reserve	313,969	294,505
Client settlement payables	3,961,916	4,028,155
Pending payable to clearing house	746,067	181,450
Commission and fee payables	32,111	18,917
Finance lease guarantee deposits	1,118,493	534,989
Deferred revenue	80,067	50,192
Interest payables	3,376,692	3,568,230
Amounts due to brokers	496,369	666,737
Notes payable	156,223	3,376,787
Acting underwriting securities	–	1,054,351
Others (Note ii)	3,070,954	1,437,264
	18,674,834	20,584,437
Analysed for reporting purpose as:		
Current liabilities	17,457,987	19,866,992
Non-current liabilities (Note i)	1,216,847	717,445
	18,674,834	20,584,437

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

48. OTHER PAYABLES AND ACCRUALS (continued)

Notes:

- (i) The Group set up a detailed plan for the payment of employees' bonuses accrued. According to the plan, a balance of RMB508,082,000 is expected to be settled after 31 December 2018 and therefore classified as non-current liabilities.
- (ii) Others mainly represent received in advance of the Group which are non-interest bearing and are settled within one year.

49. PROVISIONS

	2017/12/31 RMB'000	2016/12/31 RMB'000
At beginning of the year	124,622	60,611
Addition during the year	82,017	124,622
Settled during the year	(39,296)	(60,611)
Provision	167,343	124,622

These provisions are intended to cover certain contingencies related to the Group's activities, including contingencies related to financial guarantees and commitments assumed, ongoing litigation related to tax processes and legal dispute with staff.

50. DERIVATIVE INSTRUMENTS

	2017/12/31		2016/12/31	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Stock index futures contracts (Notes i)	-	-	-	-
Treasury futures contracts (Note ii)	-	-	-	-
Commodity futures contracts (Note iii)	68,037	-	-	-
Interest rate swap contracts (Note iv)	1,532,748	1,602,469	2,717,683	1,827,642
Equity swap (Note v)	63,514	236,272	22,927	227,880
Forward contracts	93,772	119,347	125,627	263,974
Options (Note vi)	532,825	1,528,251	433,534	104,224
Embedded equity instruments	-	86	-	73,045
Debts linked note	265,955	-	526,978	-
Foreign exchange swap	18,990	6,597	41,788	52,558
Credit default swap	34,771	2,432	66,534	44,686
Total	2,610,612	3,495,454	3,935,071	2,594,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

50. DERIVATIVE INSTRUMENTS (continued)

Notes:

(i) Stock index futures

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2017 and 31 December 2016. Accordingly, the net position of the SIF contracts in derivative instruments was nil at the end of reporting period. The contract value of the outstanding stock index futures contracts that the Group held not to hedge the market risk of the securities lent or to be lent to clients is RMB299,927,000 (2016: RMB34,059,000) with fair value gain RMB3,251,000 (2016: fair value loss RMB806,000).

(ii) Treasury futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures ("TF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2017 and 31 December 2016. Accordingly, the net position of the TF contracts in derivative instruments was nil at the end of reporting period.

Contract	2017/12/31	
	Contract value RMB'000	Fair value RMB'000
T1803	93,175	(232)
T1803	96,902	(97)
TF1803	4,315,418	(11,497)
Total	4,505,495	(11,826)
Plus: settlements		11,826
Net position		–

Contract	2016/12/31	
	Contract value RMB'000	Fair value RMB'000
TF1703	178,839	215
TF1703	1,023,357	16,963
TF1706	4,927	(55)
Total	1,207,123	17,123
Plus: settlements		(17,123)
Net position		–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

50. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

(iii) Commodity futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in commodity futures were settled daily and the corresponding payments or receipts were included in "clearing settlement funds". As at 31 December 2016, the net position of the commodity futures contracts under the daily mark-to-market and settlement arrangement was nil at the end of reporting period.

As at 31 December 2017, the fair value gains of commodity future contract that the Group holds not under the daily mark-to-market and settlement arrangement is RMB68,037,000.

Contract	2017/12/31	
	Contract value RMB'000	Fair value RMB'000
Other	828,925	68,037
Total	828,925	68,037

Contract	2016/12/31	
	Contract value RMB'000	Fair value RMB'000
AU1706	162,210	326
Total	162,210	326
Plus: settlements		(326)
Net position of commodity futures contracts		–

(iv) Interest rate swap contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap ("IRS") were settled daily in Shanghai Clearing House and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2017. Accordingly, the net position of the IRS contracts in derivative instruments was nil at the end of reporting period. As at 31 December 2017, under the daily mark-to-market and settlement arrangement, the contract values of the Group's IRS contracts are approximately RMB10,790,000,000 (2016: RMB24,547,000,000).

For IRS contracts in mainland China and Hong Kong market not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period. As at 31 December 2017, for IRS contracts not under the daily mark-to-market and settlement arrangement, the contract values of those IRS contracts of the Group are approximately RMB36,634,430,000 (2016: RMB46,210,884,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

50. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

(iv) Interest rate swap contracts (continued)

	2017/12/31		
	Contract value RMB'000	Assets RMB'000	Liabilities RMB'000
IRS – settled in Shanghai Clearing House	10,790,000	–	(7,433)
IRS – non-centralised settlement	36,634,430	1,532,748	(1,602,469)
Total	47,424,430	1,532,748	(1,609,902)
Plus: settlements		–	7,433
Net position of IRS contracts		1,532,748	(1,602,469)

	2016/12/31		
	Contract value RMB'000	Assets RMB'000	Liabilities RMB'000
IRS – settled in Shanghai Clearing House	24,547,000	–	(9,536)
IRS – non-centralised settlement	46,210,884	2,717,683	(1,827,642)
Total	70,757,884	2,717,683	(1,837,178)
Plus: settlements		–	9,536
Net position of IRS contracts		2,717,683	(1,827,642)

(v) Equity swap

As at 31 December 2017, the notional principal amounts of the Group's equity swap are approximately in amount of RMB1,038,712,000 (2016: RMB1,137,820,000).

(vi) Options

As at 31 December 2017, the notional principal amounts of the Group's options in Mainland China are approximately RMB168,659,532,000 with fair value loss of RMB471,132,000 (2016: RMB438,380,766,000 with fair value loss of RMB45,770,000). The notional principal amounts of the Group's listed options in Hong Kong are approximately RMB10,879,819,000 with fair value gain of RMB455,830,000 (2016: RMB67,846,691,000 with fair value gain of RMB375,105,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

51. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017/12/31 RMB'000	2016/12/31 RMB'000
Financial liabilities held for trading	7,739,121	8,492,151
Designated as financial liabilities at fair value through profit or loss (FVTPL)- consolidation of structured entities	1,342,318	12,655,009
Designated as financial liabilities at fair value through profit or loss (FVTPL)-Structured products (Note i)	10,260,931	13,058,951
Designated as financial liabilities at FVTPL		
–Gold lending (Note ii)	327,600	4,433,520
Designated as financial liabilities at FVTPL		
–Gold option (Note iii)	1,073,529	–
	20,743,499	38,639,631
Analysed for reporting purpose as:		
Current	20,031,099	38,063,861
Non-current	712,400	575,770
	20,743,499	38,639,631

Notes:

- (i) As at 31 December 2017, included in the Group's financial liabilities designated at fair value through profit or loss are structured notes issued by subsidiaries of the Group which arise from selling structured products generally in the form of notes or certificates with the underlying investments related to listed equity investments in active markets and unlisted equity or partnership investments.

The risk of economic exposure on these structured products is primarily hedged using financial instruments classified as financial assets designated as fair value through profit or loss. These structured products are designated as fair value through profit or loss as the risks to which the Group is a contractual party are managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

- (ii) As at 31 December 2017, included in the Group's financial liabilities designated at fair value through profit or loss are gold lending contracts entered by the Company with counterparties.

The risk of economic exposure on these contracts is primarily hedged using forward contracts.

- (iii) The Group entered into a number of option contracts in relation to fair value of gold bullions. These contracts as a combinations intend to enable the Group to receive a relatively fixed income despite the volatilities of fair value of gold bullions. Financial liabilities arising from these contracts were designated at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

52. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2017/12/31	2016/12/31
	RMB'000	<i>RMB'000</i>
Analysed by collateral type:		
Stock	1,504,889	–
Bonds	17,264,988	32,995,727
Loans and advances to customers on margin financing	9,900,000	10,736,000
Gold lending	4,375,850	–
	33,045,727	43,731,727
Analysed by market:		
Stock exchanges	3,732,338	8,876,743
Inter-bank market	13,532,650	24,118,984
OTC	15,780,739	10,736,000
	33,045,727	43,731,727
Analysed for reporting purpose as:		
Current	32,645,727	43,638,525
Non-current	400,000	93,202
	33,045,727	43,731,727

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these securities. In addition, it recognises a financial liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

52. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

The following tables provide a summary of carrying amounts and fair values related to transferred financial assets of the Group that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2017

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale investments RMB'000	Advances to customers on margin financing RMB'000	Financial assets held under resale agreements RMB'000	Others RMB'000	Total RMB'000
Carrying amount of transferred assets	21,981,730	2,446,013	10,414,800	782,529	7,975,151	43,600,223
Carrying amount of associated liabilities	14,719,892	1,693,275	9,900,000	760,161	5,972,399	33,045,727
Net position	7,261,838	752,738	514,800	22,368	2,002,752	10,554,496

As at 31 December 2016

	Financial assets at fair value through profit or loss RMB'000	Available-for-sale investments RMB'000	Advances to customers on margin financing RMB'000	Financial assets held under resale agreements RMB'000	Others RMB'000	Total RMB'000
Carrying amount of transferred assets	29,246,049	1,427,026	5,609,655	6,366,163	3,999,542	46,648,435
Carrying amount of associated liabilities	28,079,631	1,151,866	5,520,000	5,377,050	3,603,180	43,731,727
Net position	1,166,418	275,160	89,655	989,113	396,362	2,916,708

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

53. SHARE CAPITAL

	Listed A shares		Listed H shares		Total	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Registered, issued and fully paid at RMB1.0 per share:						
At 1 January 2016,						
At 31 December 2016, and						
At 31 December 2017	8,092,131	8,092,131	3,409,569	3,409,569	11,501,700	11,501,700

54. DEFERRED TAXATION

For the purpose of presentation in the Group's statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017/12/31 RMB'000	2016/12/31 RMB'000
Deferred tax assets	2,851,450	2,773,812
Deferred tax liabilities	(867,320)	(557,472)
	1,984,130	2,216,340

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

54. DEFERRED TAXATION (continued)

The following are the major deferred tax (liabilities) assets recognised and movements thereon:

	Financial assets/ liabilities at fair value through profit or loss RMB'000	Accelerated depreciation RMB'000	Derivative assets RMB'000	Accrued but not paid expenses RMB'000	Available- for-sale investments RMB'000	Derivative liabilities RMB'000	Provision of Loans and receivables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	(213,577)	(17,233)	67,555	1,016,320	(256,750)	139,860	996,628	117,431	1,850,234
Credit (charge) to profit or loss	182,965	1,834	(124,381)	(62,431)	3,130	(102,121)	80,507	180,314	159,817
Credit to other comprehensive income	-	-	-	-	123,540	-	-	-	123,540
Effects of exchange rate	297	(1,161)	4,599	4,434	4,417	-	62,013	8,150	82,749
At 31 December 2016	(30,315)	(16,560)	(52,227)	958,323	(125,663)	37,739	1,139,148	305,895	2,216,340
(Charge) credit to profit or loss	(41,242)	(2,630)	49,004	(7,738)	5,547	(4,425)	305,995	29,969	334,480
Charge to other comprehensive income	-	-	-	-	(475,647)	-	-	-	(475,647)
Effects of exchange rate	(72)	1,081	3,043	(4,734)	(2,008)	-	(68,390)	(19,963)	(91,043)
At 31 December 2017	(71,629)	(18,109)	(180)	945,851	(597,771)	33,314	1,376,753	315,901	1,984,130

55. BONDS PAYABLE

	2017/12/31 RMB'000	2016/12/31 RMB'000
Convertible bonds (Note i)	3,231,864	3,401,402
Non-convertible bonds (Note ii)	73,616,916	69,445,196
Subordinated notes (Note iii)	31,844,619	41,875,847
Asset backed securities (Note iv)	7,470,071	3,008,084
Others (Note v)	13,994,799	10,564,663
	130,158,269	128,295,192
Analysed for reporting purpose as:		
Current	14,739,105	11,103,335
Non-current	115,419,164	117,191,857
	130,158,269	128,295,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

55. BONDS PAYABLE (continued)

Notes:

- (i) The Group's subsidiary HISGL issued convertible bonds in principal amount of HK\$1,008 million (equivalent to RMB843 million), HK\$1,164 million (equivalent to RMB973 million) and HK\$3,880 million (equivalent to RMB3,232 million) in 2013, 2014 and 2016 respectively and these convertible bonds bear interest at a fixed rate with a maturity period of 5 years.

The values of the liability component and the equity conversion component were determined at the issuance of the bonds. Please refer to HISGL's announcements on 18 July 2013, 10 October 2013, 4 November 2014, 12 October 2016 and 25 October 2016 for details of the bonds.

As at 31 December 2017, the conversion prices of convertible bonds issued by HISGL in 2013, 2014 and 2016 are HK\$2.76 equivalent to RMB2.31 per share (31 December 2016: HK\$2.87 equivalent to RMB2.40 per share), HK\$4.61 equivalent to RMB3.85 per share (31 December 2016: HK\$4.80 equivalent to RMB4.01 per share) and HK\$6.53 equivalent to RMB5.46 per share (31 December 2016: HK\$6.8112 equivalent to RMB5.6936 per share) respectively. The conversion prices of convertible bonds were adjusted during the year ended 31 December 2017 due to the payment of 2016 final dividend and 2017 interim dividend.

During the years ended 31 December 2017 and 2016, no convertible bonds issued by HISGL in 2013, 2014 and 2016 were converted into ordinary shares of HISGL.

As at 31 December 2017, the number of outstanding shares convertible under the convertible bonds issued in 2013, 2014 and 2016 are 724,638 (31 December 2016: 696,864), 29,718,004 (31 December 2016: 28,541,666) and 594,180,704 (31 December 2016: 569,649,988) respectively.

- (ii) On 25 November 2013, the Company issued non-convertible bonds in principal amount of RMB12 billion at par. Those bonds carry fixed interest rate with maturity terms of three years, five years and ten years, respectively. The principle amounts are RMB7.26 billion (due for payment), RMB2.35 billion and RMB2.39 billion and bear interest rate at 6.05% per annum, 6.15% per annum and 6.18% per annum, respectively. The bonds with maturity terms of three years have been repaid.

On 14 July 2014, the Company issued non-convertible bonds in principal amount of RMB11 billion at par. Those bonds carry fixed interest rate with maturity terms of three years, five years and ten years, respectively. The principal amounts are RMB5.65 billion, RMB4.55 billion and RMB0.8 billion and bear interest rate at 5.25% per annum, 5.45% per annum and 5.85% per annum, respectively.

On 18 May 2016, the Company issued non-convertible bonds in principal amount of RMB20 billion at par. Those bonds carry fixed interest rate with maturity terms of four years and five years, respectively. The principal amounts are RMB15 billion and RMB5 billion and bear interest rate at 3.6% per annum and 3.8% per annum, respectively. The Company has an option to redeem all or some of the four-year bonds in the end of third year.

From 9 August 2017 to 11 August 2017, the Company issued non-convertible bonds in principal amount of RMB6 billion at par. Those bonds carry fixed interest rate with maturity terms of three years and five years respectively. The principle amounts are RMB5 billion and RMB1 billion and bear interest rate at 4.63% per annum and 4.80% per annum respectively.

From 20 September 2017 to 22 September 2017, the Company issued non-convertible bonds in principal amount of RMB5.5 billion at par which carries a fixed annual interest rate of 4.99% with a maturity period of 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

55. BONDS PAYABLE (continued)

Notes: (continued)

(ii) (continued)

From 23 October 2017 to 25 October 2017, the Company issued non-convertible bonds in principal amount of RMB500 million at par which carries a fixed annual interest rate of 4.77% with a maturity period of 3 years.

On 15 May 2015, the Group's wholly owned subsidiary Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) issued private placement note in principal amount of RMB200 million at par which carries a fixed annual interest rate of 5.9% with a maturity period of 3 years.

On 3 December 2015, Haitong Capital Investment Co., Ltd issued unguaranteed bonds in principal amount of RMB2,000 million. Among which, notes amounting to RMB1,400 million carries a fixed interest rate of 4.25% per annum with a maturity period of five years and notes amounting to RMB600 million carries a fixed interest rate of 3.9% per annum with a maturity period of three years.

On 11 September 2014, the Group's wholly owned subsidiary Haitong International Finance 2014 Limited issued listed guaranteed bonds in principal amount of USD600 million (equivalent to RMB3,921 million) which is guaranteed by HISGL. Please refer to the related announcements made by HISGL on 4 and 11 September 2014 as well as its 2014 annual report for details of the bond.

On 29 January 2015, the Group's wholly owned subsidiary Haitong International Finance 2015 Limited issued guaranteed bonds in principal amount of USD700 million (equivalent to RMB4,574 million) which is guaranteed by HISGL. Please refer to the announcements made by HISGL on 22, 23 and 29 January 2015 for details of the bond.

On 29 October 2013, the Group's subsidiary Haitong International Finance Holdings Limited issued credit enhanced bonds in principal amount of USD900 million (equivalent to RMB5,881 million), which is listed on the Hong Kong Exchanges and Clearing Limited. The bond carries a fixed annual interest rate with a maturity period of 5 years. The par value will be fully redeemed till maturity date. The bond is joint and several guaranteed by the Company and the Company will issue Counter Guarantee to the Bank of China regarding to the Standby Letter of Credit of the overseas bond, at the amount of the principals, interests and other expenses, the guarantee period will end after 6 months since effective of Standby Letter of Credit.

The Company entered into a keepwell deed for the above credit enhanced bonds. Pursuant to the Keepwell Deed, the Company will undertake to cause Haitong International Finance Holdings Limited to remain solvent at all times and to have sufficient liquidity to ensure timely payment by Haitong International Finance Holdings Limited of any amounts payable in respect of the notes in accordance with the terms and conditions of the notes any payments due under the Keepwell Deed.

On 21 April 2015, the Group's wholly owned subsidiary Haitong International Finance Holdings 2015 Limited issued guaranteed bonds in principal amount of USD670 million (equivalent to RMB4,378 million) which is guaranteed by the Company and the bond is listed on the Hong Kong Exchanges and Clearing Limited. The bond carries a fixed annual interest rate with a maturity period of 5 years. The bond carries a fixed annual interest rate with a maturity period of 5 years. The bond is joint and several guaranteed by the Company.

On 18 and 26 May 2016, the Group's wholly owned subsidiary Haitong International Finance Holdings 2015 Limited issued guaranteed bonds in principal amount of EUR 220 million (equivalent to RMB1,717 million). The bond carries a fixed annual interest rate of 1.6% with a maturity period of 5 years. The bond is guaranteed by the Company.

On 2 July 2015, the Group's wholly owned subsidiary Unican Limited issued medium term note in principal amount of RMB1 billion which carries a fixed annual interest of 5.15% with a maturity period of 3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

55. BONDS PAYABLE (continued)

Notes: (continued)

(ii) (continued)

On 19 January 2016, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued medium term note in principal amount of RMB400 million which carries a fixed annual interest rate of 3.6% with a maturity period of 3 years.

On 3 June 2016, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued medium term note in principal amount of RMB600 million which carries a fixed annual interest rate of 4.07% with a maturity period of 5 years. The issuer has an option to adjust the interest rate and the investors have an option to sale the notes back to the issuer at the end of the third year.

On 15 July 2016, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued medium term note in principal amount of RMB600 million which carries a fixed annual interest rate of 3.7% with a maturity period of 5 years. The issuer has an option to adjust the interest rate and the investors have an option to sale the notes back to the issuer at the end of the third year.

On 28 September 2016, the Group's wholly owned subsidiary Unican Limited issued medium term note in principal amount of USD64 million (equivalent to RMB418 million) with a maturity period of 29 months. Note in amount of USD24 million (equivalent to RMB156 million) carries a fixed annual interest rate of 2.90%, and note in amount of USD40 million (equivalent to RMB261 million) carries a fixed annual interest rate of 3.00%.

On 21 June 2017, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued corporate bonds in principal amount of RMB1,500 million, which is listed on the Hong Kong Exchanges and Clearing Limited. The bond carries a fixed annual interest rate with a maturity period of 3 years. The par value will be fully redeemed till maturity date.

On 21 July 2017, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued corporate bonds in principal amount of RMB1,000 million, which is listed on the Hong Kong Exchanges and Clearing Limited. The bond carries a fixed annual interest rate with a maturity period of 3 years. The par value will be fully redeemed till maturity date.

On 9 September 2017, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued private placement note in principal amount of RMB800 million at par which carries a fixed annual interest rate of 5.80% with a maturity period of 3 years.

During 2009 to 2017, the Group's wholly owned subsidiaries Haitong Bank issued a series of debt securities. The balance as at 31 December 2017 was EUR 243 million with maturity up to 2 years (equivalent to RMB1,866 million).

(iii) On 8 April 2015, the Company issued subordinated notes in principal amount of RMB15 billion at par. The note carries a fixed interest rate of 5.5% per annum with a maturity period of 5 years, and the Company has an option to redeem all or some of these notes at the face value on 8 April 2018.

On 12 June 2015, the Company issued two kind of subordinated notes in total principal amount of RMB20 billion at par. Among which, notes amounting to RMB15 billion carries a fixed interest rate of 5.30% per annum with a maturity period of three years and notes amounting to RMB5 billion carries a fixed interest rate of 5.38% per annum with a maturity period of five years. The Company has an option to redeem all or some of notes at the face value on 12 June 2017 and 12 June 2018, respectively. The bonds with maturity terms of three years have been repaid on 12 June 2017 as the Company exercised the option to redeem all of the three-year bonds at the end of second year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

55. BONDS PAYABLE (continued)

Notes: (continued)

(iii) (continued)

On 17 November 2016, the Company issued two series of subordinated notes in total principal amount of RMB6 billion at par. Among which, notes amounting to RMB4 billion carries a fixed interest rate of 3.30% per annum with a maturity period of three years and notes amounting to RMB2 billion carries a fixed interest rate of 3.40% per annum with a maturity period of five years.

On 16 March 2017, the Company issued private placement subordinated note in principal amount of RMB4.5 billion at par which carries a fixed annual interest rate of 4.80% with a maturity period of 3 years.

On 9 November 2015, Shanghai Haitong Securities Asset Management Company Limited, the subsidiary of the Group issued subordinated note in principal amount of RMB1 billion at par which carries a fixed annual interest rate of 4.95% with a maturity period of 5 years.

On 15 December 2015, the Haitong Futures Co., Ltd issued subordinated note in principal amount of RMB500 million at par which carries a fixed annual interest rate of 4.94% with a maturity period of 6 years.

(iv) On 17 November 2017, the Company issued asset-backed security in principal amount of RMB2 billion at par which carries a fixed annual interest rate of 5.20% with a maturity period of 1.5 years. The assets transferred were advances to customers on margin financing. As at 31 December 2017, subordinated asset-backed security of RMB100 million was held by the Company.

On 7 May 2015, Haitong Unitrust Finance & Leasing Corporation issued asset-backed securities with two tranches: senior tranche with principle amount of RMB1,348 million, coupon rate of 5.60%-6.55%, and a maturity period of 51 months, and the principle amount is repaid by installment; junior tranche with principle amount of RMB14 million and a maturity period of 51 months. The Company holds all junior tranches asset-backed securities.

On 22 April 2016, Haitong Unitrust Finance & Leasing Corporation issued asset-backed note two tranches: senior tranche with principle amount of RMB1,140 million, coupon rate of 4.50% and a maturity period of 35 months, The Company holds all junior tranches asset-backed securities.

On 15 November 2016, Haitong Unitrust Finance & Leasing Corporation issued asset-backed note two tranches: senior tranche with principle amount of RMB1,425 million, coupon rate of 3.72% and a maturity period of 36 months, The Company holds all junior tranches asset-backed securities.

On 4 August 2017, Haitong Unitrust Finance & Leasing Corporation issued asset-backed note with two tranches: senior tranche with principle amount of RMB1,568 million, coupon rate of 5.40% and a maturity period of 35 months; junior tranche with principle amount of RMB83 million and a maturity period of 35 months, the Company holds all junior tranches asset-backed securities.

On 22 November 2017, Haitong Unitrust Finance & Leasing Corporation issued asset-backed medium-term notes with two tranches: senior tranche with principle amount of RMB1,360 million, coupon rate of 5.80% and a maturity period of 34 months; junior tranche with principle amount of RMB70 million and a maturity period of 37 months, the Company holds all junior tranche asset-backed medium-term notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

55. BONDS PAYABLE (continued)

Notes: (continued)

- (v) According to SAC's letter on approving the pilot of OTC income certificate business (SAC [2014]285), the Group was authorized to conduct income certificate business. The long-term income certificates issued by the company with maturities ranged from 13 months to 24 months. The coupon rate of the outstanding products were between 3.4% and 5.35%. Those products which will be settled within one year from year end are classified as the current portion of bonds payable.

The long-term income certificates issued by Haitong Innovation Security Investment Co., Ltd (“海通創新證券投資有限公司”), a subsidiary of the Group, with maturities ranged from 13 months to 25 months. The coupon rate of the outstanding products were between 4.2% and 4.5%.

56. LONG-TERM PAYABLES

	2017/12/31 RMB'000	2016/12/31 RMB'000
Finance lease guarantee deposit	3,779,786	3,000,514
Deferred revenue	383,359	320,732
Others	650,554	218,275
	4,813,699	3,539,521

Long-term payables are mainly due to the guaranteed fund received by the Group through finance leasing business. All amounts will expire beyond one year upon contract agreement and are classified as non-current liabilities.

57. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Investment revaluation reserve

Investment revaluation reserve represents the fair value changes of available-for-sale financial assets.

(c) General reserves

The general reserves comprise statutory reserve, general risk reserve and transaction risk reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

57. RESERVES AND RETAINED PROFITS (continued)

(c) General reserves (continued)

Pursuant to the Company Law of The PRC, 10% of the net profit of the Company, as determined under the PRC accounting regulations and before distribution to shareholders, is required to be transferred to a statutory reserve until such time when this reserve represents 50% of the share capital of the Company. The reserve appropriated can be used for loss-covering, expansion of production scale and capitalisation, in accordance with the Company's articles of association or approved by the shareholders in a shareholders' general meeting.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as general risk reserve from retained profits.

Pursuant to the Securities Law of The PRC, the Company is required to appropriate 10% of the net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as transaction risk reserve from retained profits and cannot be distributed or transferred to share capital.

For each of the years ended 31 December 2017, the Company transferred approximately RMB1,856,269,000 to the statutory reserve, general risk reserve and transaction risk reserve pursuant to the above regulatory requirements in the PRC (31 December 2016: RMB1,717,403,000).

Each of the Company's statutory reserve, general risk reserve and transaction risk reserve amounted to approximately RMB5,703,913,000 as at 31 December 2017 (31 December 2016: RMB5,085,157,000).

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to general reserves. The total amount of general reserves appropriated from the subsidiaries as at 31 December 2017 is RMB859,985,000 (31 December 2016: RMB594,111,000).

(d) Distributable profits

In accordance with the relevant regulations, the distributable profits of the Company is deemed to be the lower of (i) the retained profits determined in accordance with PRC GAAP and (ii) the retained profits determined in accordance with IFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

58. CREDIT COMMITMENT

As at 31 December 2017 and 2016, this balance can be analysed as follows:

	2017/12/31 RMB'000	2016/12/31 <i>RMB'000</i>
Contingent liabilities		
Guarantees and standby letters of credit	1,360,846	1,607,648
	1,360,846	1,607,648
Commitments		
Irrevocable credit commitments	108,756	116,032
	108,756	116,032

Guarantees and standby letters of credits are banking operations that may imply out-flow by the Group only at default condition.

Irrevocable commitments represent contractual agreements to extend credit to the Haitong Bank's customers (e.g. unused credit lines). These agreements are, generally, contracted for fixed periods of time or with other expiration requisites, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these contingent liabilities and commitments, the analysis of these operations follows the same basic principles of any other commercial operation, namely the solvency of the underlying client and business, being that the Haitong Bank requires these operations to be adequately covered by collaterals when needed.

Once as expected, the majority of these will expire without being used, the referred amounts are not representative of the future cash-flows needs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

59. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Leases for the properties are negotiated for an average term of three years and rentals are fixed for an average term of three years.

At 31 December 2017 and 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	2017/12/31 <i>RMB'000</i>	2016/12/31 <i>RMB'000</i>
Within one year	341,560	227,851
In the second to fifth year, inclusive	452,982	309,846
Over five years	31,703	20,000
	826,245	557,697

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2017/12/31 <i>RMB'000</i>	2016/12/31 <i>RMB'000</i>
Within one year	165,688	12,007
In the second to fifth year, inclusive	592,912	25,009
Over five years	344,599	4,921
	1,103,199	41,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

60. CAPITAL COMMITMENT

	2017/12/31 <i>RMB'000</i>	2016/12/31 <i>RMB'000</i>
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided	90,390	79,173
Investment commitments		
– Contracted but not recognised	–	600,000
	90,390	679,173

61. DIVIDENDS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Dividends recognised as distribution	2,530,374	5,175,765

Pursuant to the resolution of annual general meeting 2017 and 2016, the Company declared 2016 and 2015 final dividend of RMB0.22 and RMB0.45 per share respectively, satisfied by cash. For the proposed dividend of 2017, please refer to Note 73.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

62. DIRECTORS', SENIOR MANAGEMENT'S AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors, Senior Management and Supervisors of the Company paid/payable by the Group for the year ended 31 December 2017 and 2016 are set out below:

For the year ended 31 December 2017

Name	Director fee RMB'000	Salary and commission RMB'000	Bonuses* RMB'000	Employer's contribution to pension schemes annuity plans RMB'000	Total^ RMB'000
<i>Executive Directors:</i>					
Zhou Jie ¹	–	368	345	220	933
Qu Qiuping ¹	–	920	506	220	1,646
<i>Independent Non-executive Directors and Supervisors:</i>					
Liu Zhimin ²	300	–	–	–	300
Xiao Suining ²	310	–	–	–	310
Feng Lun ²	210	–	–	–	210
Zhang Ming ²	280	–	–	–	280
Lin Jiali ⁷	60	–	–	–	60
Wang Hongxiang ²	136	–	–	–	136
Li Guangrong ²	150	–	–	–	150
Wu Hongwei ⁸	–	55	42	33	130
Wang Meijuan ⁶	–	951	1,841	352	3,144
Hu Hairong ⁶	–	940	1,841	352	3,133
Song Shihao ⁵	–	822	1,249	352	2,423
Rui Zhengxian ⁹	–	36	66	29	131
Yang Qingzhong ⁴	–	331	704	194	1,229
Qiu Xiaping ⁶	–	–	–	–	–
Yu Liping ¹⁰	–	–	–	–	–
Chen Bin ¹¹	–	–	–	–	–
Xu Jianguo ¹²	–	–	–	–	–
Shen Tiedong ¹⁰	–	–	–	–	–
Zhang Xingmei ¹¹	–	–	–	–	–
Shou Weiguang ¹³	–	–	–	–	–
Li Lin ¹⁴	–	–	–	–	–
Zheng Xiaoyun ¹⁵	–	–	–	–	–
Cheng Feng ¹⁶	–	–	–	–	–
Chen Huifeng ¹⁶	–	–	–	–	–
Feng Huang ¹⁶	–	–	–	–	–
Song Chunfeng ¹⁷	–	–	–	–	–
Wu Yuezhou ¹⁸	–	–	–	–	–
	1,446	4,423	6,594	1,752	14,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

62. DIRECTORS', SENIOR MANAGEMENT'S AND SUPERVISORS' EMOLUMENTS (continued)

For the year ended 31 December 2016

Name	Director fee RMB'000	Salary and commission, bonuses* RMB'000	Employer's contribution to pension schemes annuity plans RMB'000	Total [^] RMB'000
<i>Executive Directors:</i>				
Zhou Jie ¹	–	161	43	204
Wang Kaiguo	–	774	157	931
Qu Qiuping ¹	–	598	171	769
<i>Independent Non-executive Directors and Supervisors:</i>				
Liu Zhiming ²	210	–	–	210
Xiao Suining ²	210	–	–	210
Li Guangrong ²	190	–	–	190
Lv Changjiang ²	190	–	–	190
Feng Lun ²	160	–	–	160
Zhang Ming ²	17	–	–	17
Wang Hongxiang ³	75	–	–	75
Xu Chao ³	59	–	–	59
Yang Qingzhong ⁴	–	538	171	709
Qiu Xiaping ⁶	–	2,240	150	2,390
Wang Meijuan ⁶	–	3,307	257	3,564
Hu Hairong ⁶	–	3,297	257	3,554
Song Shihao ⁵	–	3,025	257	3,282
Yu Liping ¹⁰	–	–	–	–
Chen Bin ¹¹	–	–	–	–
Xu Jianguo ¹²	–	–	–	–
Shen Tiedong ¹⁰	–	–	–	–
Zhang Xingmei ¹¹	–	–	–	–
Shou Weiguang ¹³	–	–	–	–
Li Lin ¹⁴	–	–	–	–
Zheng Xiaoyun ¹⁵	–	–	–	–
Cheng Feng ¹⁶	–	–	–	–
Chen Huifeng ¹⁶	–	–	–	–
Feng Huang ¹⁶	–	–	–	–
Song Chunfeng ¹⁷	–	–	–	–
Hu Jingwu ¹⁹	–	–	–	–
Xu Qi ¹⁹	–	–	–	–
	1,111	13,940	1,463	16,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

62. DIRECTORS', SENIOR MANAGEMENT'S AND SUPERVISORS' EMOLUMENTS (continued)

- (a) The bonuses are discretionary and are determined by reference to the Group's and the individuals' performance.
- (b) The Company did not operate any share option scheme during the reporting periods. Details of the subsidiary's share option scheme are disclosed in note 64.

1 Mr. Wang Kaiguo resigned from the Chairman and Executive Director, Mr. Zhou Jie was appointed as Chairman, and Executive Director in October 2016. Mr. Qu Qiuping was appointed as the General Manager and Executive Director of the Company in June 2014.

Mr. Wang Kaiguo and Mr. Qu Qiuping whose emoluments disclosed above include those for service rendered by them as Chief Executives.

2 Mr. Liu Zhimin was appointed as the Non-executive Director of the Company in November, 2011., Mr. Xiao Suining was appointed as the Non-executive Director of the Company in May, 2013., Mr. Li Guangrong, Mr. Lv Changjiang and Mr. Feng Lun were appointed as Independent Non-executive Directors of the Company in December, 2014. Mr. Lv Changjiang resigned from the position of Independent Non-executive Director of the Company in June, 2016. Mr. Zhang Ming was appointed as the Non-executive Director of the Company in June, 2016. Mr. Li Guangrong resigned from the position of Independent Non-executive Director of the Company in April, 2017.

3 Mr. Wang Hongxiang, Mr. Xuchao were appointed as Non-executive Directors of the Company in May, 2011. Mr. Xuchao resigned from the position of Non-executive Director of the Company in July, 2016. Mr. Wang Hongxiang resigned from the position of Non-executive Director of the Company in May, 2017.

4 Mr. Yang Qingzhong was appointed as Vice Chairman of the Supervisory Board, Secretary of the Commission for Inspecting Discipline and Deputy Party Secretary of the Company in December, 2014. Mr. Yang Qingzhong resigned from the positions of Vice Chairman of the Supervisory Board, Secretary of the Commission for Inspecting Discipline and Deputy Party Secretary of the Company in December, 2017.

5 Mr. Song Shihao was appointed as Supervisor of the Company in July, 2015.

6 Mrs. Qiu Xiaping was appointed as Supervisors of the Company in July, 2007. Mrs. Wang Meijuan and Mrs. Hu Hairong were appointed as Supervisors of the Company in December, 2014. Mrs. Qiu Xiaping resigned from the position of Supervisors of the Company in December, 2017.

7 Mr. Lin Jiali was appointed as Non-executive Directors of the Company in April, 2017.

8 Mr. Wu Hongwei was appointed as Vice Chairman of the Supervisory Board, Secretary of the Commission for Inspecting Discipline and Deputy Party Secretary of the Company in December, 2017.

9 Mr. Rui Zhengxian was appointed as Supervisors of the Company in December, 2017.

10 Mrs. Yu Liping and Mr. Shen Tiedong were appointed as Non-executive Directors of the Company in June, 2015.

11 Mr. Chen Bin and Mrs. Shen Tiedong were appointed as Non-executive Directors of the Company in June, 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

62. DIRECTORS', SENIOR MANAGEMENT'S AND SUPERVISORS' EMOLUMENTS (continued)

- 12 Mr. Xu Jianguo was appointed as Non-executive Directors of the Company in October, 2016.
- 13 Mr. Shou Weiguang was appointed as Chairman of the Supervisory Board of the Company in July, 2015. Mr. Shou Weiguang resigned from the position of Chairman of the Supervisory Board and Supervisors of the Company in April, 2017.
- 14 Mr. Li Lin was appointed as Supervisors of the Company in May, 2013.
- 15 Mrs. Zheng Xiaoyun was appointed as Supervisors of the Company in September, 2015.
- 16 Mr. Cheng Feng, Mr. Chen Huifeng and Mr. Feng Huang were appointed as Supervisors of the Company in December, 2014.
- 17 Mr. Song Chunfeng was appointed as Supervisors of the Company in July, 2016.
- 18 Mr. Wu Yuezhou was appointed as Non-executive Directors of the Company in August, 2017.
- 19 Mr. Hu Jingwu was appointed as Supervisors of the Company in October, 2013. Mr. Xu Qi was appointed as Supervisors of the Company in December, 2014. Mr. Hu Jingwu resigned from the position of Supervisors of the Company in March, 2016. Mr. Xu Qi resigned from the position of Supervisors of the Company in December, 2016.

For the year ended 31 December 2017 and 2016, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for redundancy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

63. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none of them are directors, supervisors or senior management. Details of the remuneration of the five highest paid employees during the year ended 2017 and 2016 are as follows:

	2017	2016
	RMB'000	RMB'000
Salary and commission	4,522	3,863
Bonuses	61,720	70,462
Employer's contribution to pension schemes/annuity plans	1,760	903
	68,002	75,228

Bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2017 and 2016.

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	2017	2016
	Population	Population
Emolument bands		
– HKD11,000,001 to HKD13,000,000	–	3
– HKD13,000,001 to HKD15,000,000	1	–
– HKD15,000,001 to HKD17,000,000	2	2
– HKD17,000,001 to HKD19,000,000	1	–
– HKD19,000,001 to HKD21,000,000	1	–
	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

64. SHARE OPTION/AWARD OF SUBSIDIARIES

2002 Share option scheme of HISGL

On 23 August 2002, the shareholders of HISGL approved the adoption of a share option scheme (the "2002 Share Option Scheme"), which was expired on 22 August 2012. A summary of the principal terms of the 2002 Share Option Scheme, as disclosed in accordance with the listing rules, is set out as follows:

The 2002 Share Option Scheme was adopted for the purpose of attracting, retaining and motivating talented employees to strive towards long-term performance targets set by HISGL and its subsidiaries and at the same time allowing the participants to enjoy the results of HISGL attained through their effort and contribution. Under the 2002 Share Option Scheme, options may be granted to any full time employees, executive and non-executive directors of HISGL or any of its subsidiaries or associates.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other share option schemes of HISGL shall not in aggregate exceed 10% of the total number of shares in issue as at the date of adoption of the 2002 Share Option Scheme (the "Scheme Mandate Limit") but HISGL may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of HISGL under the 2002 Share Option Scheme and any other share option schemes of HISGL shall not exceed 10% of the issued share capital of HISGL as at the date of approval by the shareholders of HISGL at general meetings where such limit is refreshed.

If refreshed, options previously granted under the 2002 Share Option Scheme and any other share option schemes of HISGL (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10% limit.

Notwithstanding the aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other share option schemes of HISGL shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2002 Share Option Scheme and any other share option schemes of HISGL (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of HISGL's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of HISGL at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of HISGL, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of HISGL, or to any of their associates, in excess of 0.1% of the total number of shares of HISGL in issue at the date on which such grant is proposed by the directors of HISGL or with an aggregate value (based on the closing price of HISGL's shares at the date on which such grant is proposed by the directors of HISGL) in excess of HKD5 million, within any twelve-month period, are subject to shareholders' approval in advance at a general meeting of HISGL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

2002 Share option scheme of HISGL (continued)

The offer of a grant of share options may be accepted within 30 days from the date of the offer upon payment of a consideration of HKD1 by the grantee. The exercise period of the share options granted is determinable by the directors of HISGL, and such period shall commence not earlier than six months from the date of grant of the options and expire not later than ten years after the date of grant of the options. The vesting period of the share options is from the date of the grant until the commencement of the exercise period. All share options under the 2002 Share Option Scheme are subject to a six-month vesting period.

The exercise price of the share options is determinable by the directors of HISGL, and shall be at least the highest of (i) the closing price of HISGL's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of HISGL's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of HISGL's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The 2002 Share Option Scheme expired on 22 August 2012. However, the share options granted under the 2002 Share Option Scheme prior to its expiry are still exercisable pursuant to the terms of this scheme.

The following table discloses movements of share options granted to the directors and employees of HISGL under HISGL's 2002 Share Option Scheme during the year:

	2017		2016	
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options
At beginning of the year	2.77	9,132	2.91	12,663
Adjusted during the year ¹	2.76	8	2.77	4
Exercised during the year	2.77	(3,328)	3.25	(3,524)
Forfeited during the year	–	–	3.36	(11)
At end of the year	2.76	5,812	2.77	9,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

2002 Share option scheme of HISGL (continued)

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

Number of options '000	Exercise price ¹ HKD per share	Exercise period
31 December 2017		
<u>5,812</u>	2.764	3 March 2011 to 2 March 2019
31 December 2016		
<u>9,132</u>	2.768	3 March 2011 to 2 March 2019

¹ The exercise price of the share option is subject to adjustment in case of rights or bonus issues, scrip dividend, or bonus shares, or other similar changes in HISGL's share capital.

No new share options were granted for the years ended 31 December 2017 and 31 December 2016.

As at 31 December 2017, HISGL had 5,812,110 (2016: 9,131,657) share options outstanding under the 2002 Share Option Scheme, which represented approximately 0.11% (2016: 0.17%) of HISGL's shares in issue as at that date.

2015 Share option scheme of HISGL

The shareholders of HISGL approved the adoption of a new share option scheme (the "2015 Share Option Scheme") on 8 June 2015 (the "Adoption Date"). The 2015 Share Option Scheme was also approved by the shareholders of Haitong Securities Co., Ltd., the holding company of HTIH, the controlling shareholder of HISGL, and Listing Committee of The Stock Exchange of Hong Kong Limited on 8 June 2015 respectively and 12 June 2015 respectively. A summary of the principal terms of the 2015 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

2015 Share option scheme of HISGL (continued)

The 2015 Share Option Scheme was adopted to attract, retain and motivate talented employees to strive towards long term performance targets set by HISGL and to provide them with an incentive to work better for the interest of HISGL after the expiry of its existing 2002 Share Option Scheme on 22 August 2012. Under the 2015 Share Option Scheme, share options could be granted to any full time or part-times employees, executive and non-executive (whether independent or not) directors of the HISGL who in the absolute opinion of the Board, have contributed to HISGL.

The maximum number of shares of HISGL (the "Shares") which may be issued upon exercise of all options to be granted under the 2015 Share Option Scheme and any other share option schemes shall not in aggregate exceed 212,924,439 shares, representing approximately 10% of the issued shares of HISGL as at 30 November 2014, being the date of tentative approval of the 2015 Share Option Scheme by the management of the HISGL.

In respect of the period of 12 months from the Adoption Date and for each of the subsequent periods of 12 months from the previous anniversary of the Adoption Date (each of those 12-months periods is hereinafter referred to as a "Scheme Year"), the total number of shares of HISGL which may be issued upon exercise of the options granted in each Scheme Year shall not exceed 21,292,444 shares (the "Annual Limit"). HISGL may from time to time seek approval of its shareholders and the approval of the shareholders of Haitong Securities Co., Ltd. ("HSCL") (so long as HISGL is a subsidiary of HSCL under the Listing Rules) in respective general meetings to renew the Scheme Limit and/or the Annual Limit such that the total number of shares of HISGL in respect of which options may be granted by directors of HISGL under the 2015 Share Option Scheme (i) in respect of the Scheme Limit, shall not exceed 10% of the issued share capital of HISGL as at the date of approval of the refreshment; and (ii) in respect of the Annual Limit, shall not exceed 1% of the issued share capital of HISGL as at the date of approval of the refreshment. Options previously granted under the 2015 Share Option Scheme and any other share option schemes of HISGL (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such limits as refreshed.

Notwithstanding the aforesaid in previous paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other share option schemes of HISGL shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2015 Share Option Scheme and any other share option schemes of HISGL (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of HISGL's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of HISGL at a general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

2015 Share option scheme of HISGL (continued)

Share options granted to a director, chief executive or substantial shareholders of HISGL, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of HISGL, or to any of their associates, in excess of 0.1% of the total number of shares of HISGL in issue at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of HISGL's shares at the date on which such grant is proposed by the directors) in excess of HKD5 million, within any twelve-month period, are subject to shareholders' approval in advance at a general meeting of HISGL.

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HKD1 by the grantee. The exercise period of the share options granted is determinable by the directors of HISGL and notified by the directors HISGL to each participant as being the period during which an option may be exercised, and in any event such period of time shall not exceed a period of 5 years commencing on the Offer Date and expire on the last day of such period. The 2015 Share Option Scheme does not stipulate any performance target which needs to be achieved by the participant who accepts the offer of share options (the "Grantee") before the share options can be exercised. In order to sustain a long-term employment relationship between HISGL and the grantee(s), grantees must hold their share options for a holding period of not less than 6 months from the date of acceptance of the offer by the Grantee, before the share options can be exercised.

The exercise price of the share options is determinable by the directors, and shall be at least the highest of (i) the price equal to 110% of the closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of HISGL's shares.

On 12 May 2016, HISGL granted 18,100,000 share options at the exercise price of HKD4.675 per share to its directors and employees under the 2015 Share Option Scheme with a total of 18,000,000 share options were accepted. The validity period of the share options is from 12 May 2016 to 11 May 2021. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of HISGL's shares on the date of grant was HKD4.25 per share. The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 12 May 2016 is approximately HKD23.7 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

2015 Share option scheme of HISGL (continued)

	2016
Closing price	HKD4.25
Initial exercise price	HKD4.675
Expected volatility	53.32%
Expected option life	5 years
Risk-free rate	0.897%
Expected dividend yield	5.176%
Early exercise multiples – directors	2.34
– employees	2.07

Expected volatility was determined using the historical volatility of HISGL's share price over the previous 3.6 years at the grant date.

On 10 November 2017, HISGL granted 13,400,000 share options at the exercise price of HKD5.038 per share to its directors and employees under the 2015 Share Option Scheme with a total of 13,350,000 share options being accepted. The option period of the share options is from 10 November 2017 to 9 November 2022. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of the HISGL's shares on the date of grant was HKD4.58 per share. The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 10 November 2017 is approximately HKD17.5 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2017
Closing price	HKD4.58
Initial exercise price	HKD5.038
Expected volatility	49.493%
Expected option life	5 years
Risk-free rate	1.42%
Expected dividend yield	3.849%
Early exercise multiples – directors	2.34
– employees	2.07

Expected volatility was determined using the historical volatility of the HISGL's share price over the previous 3.6 years at the grant date.

For the year ended 31 December 2017, HISGL has recognised an equity-settled share-based payment of HKD2,910,000 (31 December 2016: HKD23,673,000) for the share options under the 2015 Share Option Scheme in the consolidated statement of profit or loss. No share options under 2015 share option scheme has been exercised during the current year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

2015 Share option scheme of HISGL (continued)

The following table discloses movements of share options granted to the directors and employees of HISGL.

	2017		2016	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At beginning of the year	4.674	17,807	–	–
Granted and accepted during the year	5.038	13,350	4.675	18,000
Adjusted during the year (note)	4.668	22	4.674	7
Exercised during the year	–	–	–	–
Forfeited during the year	4.673	(1,951)	4.674	(200)
At end of the year	4.836	29,228	4.674	17,807

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

31 December 2017 Number of options '000	Exercise price HK\$ per share (note)	Exercise period
15,878	4.667	8 December 2016 – 11 May 2021
13,350	5.038	7 June 2018 – 9 November 2022
29,228		

31 December 2016 Number of options '000	Exercise price HK\$ per share (note)	Exercise period
17,807	4.674	8 December 2016 – 11 May 2021

Note: The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, scrip dividend, or bonus shares, or other similar changes in the Company's share capital.

As at 31 December 2017, HISGL had 29,228,100 (2016: 17,806,679) share options outstanding under the 2015 Share Option Scheme, which represented approximately 0.53% (2016: 0.33%) of HISGL's shares in issue as at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

Share award scheme of HISGL

On 19 December 2014, the Board of directors of HISGL (the "HISGL Board") adopted a 10-year share award scheme (the "Scheme") to incentivise selected employees and directors ("Selected Participants") for their contributions to HISGL and to attract suitable personnel for further development of HISGL.

Pursuant to the Scheme, the ordinary shares of HKD0.1 each in the capital of HISGL will be acquired by the trustee at the cost of HISGL and will be held in trust for the Selected Participants before vesting. The total number of Shares granted under the Scheme shall be limited to 10% of the total issued share capital of HISGL as at 19 December 2014 (the "Adoption Date") or such other percentage as determined by the HISGL Board from time to time.

No award of the Shares shall be granted to any single Selected Participant which would result in the maximum number of awarded Shares under the Scheme in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued share capital of HISGL as at the Adoption Date.

The HISGL Board has delegated the power and authority to the Administration Committee of HISGL to handle operational matters of the Scheme but all major decisions in relation to the Scheme shall be made by the HISGL Board unless expressly provided for in the scheme rules pursuant to the Scheme or the HISGL Board resolves to delegate such power to the Administration Committee.

Pursuant to the scheme rules, HISGL Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each Participant determined by HISGL Board and recommended by the Remuneration Committee from time to time) select any participant for participation in the Scheme as a Selected Participant and determine the number of awarded shares, upon the recommendation of the Remuneration Committee.

After the selection of the Selected Participant(s) and the determination of the number of awarded Shares by HISGL Board, the Administration Committee shall inform the trustee accordingly. The Administration Committee shall also inform the Selected Participant(s) by award notice. Provided that the respective Selected Participant(s) has (have) executed the relevant acceptance form(s) and returned the same together with a counterpart of the award notice(s) to the trustee through HISGL within the period prescribed in the award notice(s), HISGL shall during the award period pay or cause to be paid to the trustee for purchasing the awarded Shares ("Reference Amount").

After receiving the Reference Amount, the Trustee shall apply the same towards the purchase of awarded Shares in the market through a broker at the prevailing market price on the Stock Exchange pursuant to the Scheme Rules and HISGL would recognise as treasury shares in the statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

Share award scheme of HISGL (continued)

The Administration Committee shall conduct a review of the performance conditions (if any) in relation to each Selected Participant at least once in each financial year during the award period if the award period is more than 12 months or once only during the award period if the award period is less than 12 months. The awarded Shares will be vested if the Selected Participant is able to meet the relevant performance conditions during the relevant period, or lapse if the Selected Participant is unable to meet the relevant performance conditions during the relevant period.

A Selected Participant shall not exercise or direct the trustee to exercise and the trustee shall not exercise the voting rights in respect of any Awarded Shares held under the trust.

Details of the awarded shares granted and unvested as at 31 December 2017 are set out below.

Date of awarded shares granted	Number of awarded shares granted	Number of awarded shares vested	Number of awarded shares forfeited <i>(Note (c))</i>	Number of awarded shares unvested	Vesting dates	Fair value as at grant date <i>HKD</i>
18 April 2016	7,865,506	2,457,261	842,591	4,565,564	<i>Note (a)</i>	31,383,000
28 April 2017	4,246,234	–	269,921	3,976,313	<i>Note (b)</i>	19,320,000

Notes:

- (a) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 18 April 2016 is on 15 March 2017 while the vesting date of another one-third of award shares granted on 18 April 2016 would be on 15 March 2018 and the vesting date for the remaining would be on 15 March 2019.
- (b) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 28 April 2017 is on 19 March 2018 while the vesting date of another one-third of award shares granted on 28 April 2017 would be on 19 March 2019 and the vesting date for the remaining would be on 19 March 2020.
- (c) Awarded Shares were lapsed prior to their vesting date as a result of staff separations. Pursuant to the agreement, the lapsed shares would be held by the trustee which is subject to the approval from Administration Committee for re-selection of any Selected Participant. The lapsed Awarded Shares were transferred out from share award reserve to share premium as disclosed in the consolidated statement of change in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

64. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

Share award scheme of HISGL (continued)

Movements of shares held under the Scheme during the year are as follows:

	2017		2016	
	HKD'000	Number of shares	HKD'000	Number of shares
At 1 January	128,020	21,724,000	128,020	21,724,000
Vested and transferred out during the year	(14,481)	(2,457,261)	–	–
At 31 December 2017	113,539	19,266,739	128,020	21,724,000

Share option scheme of UT Capital

The Group's wholly owned subsidiary, UT Capital adopted a share option incentive scheme on 27 May 2014, which was valid and effective for a period of five years commencing from the date of adoption. According to the scheme, the eligible participants include directors, senior management, key operational managerial personnel and key technical or business personnel of UT Capital, and its subsidiaries as determined by the board of directors of UT Capital, the total number of which shall not exceed 50. No more than 97,321,500 share options shall be granted to the participants under the scheme. As at 19 January 2015, the Board of UT Capital approved the share option scheme, under which 85,980,375 share options were granted to the eligible participants and 11,341,125 share options were reserved. As at 31 December 2017, no share option were exercised under the scheme.

During the year ended 31 December 2017, there is an exit arrangement applied to these stock options granted but have not been executed yet, in consideration of the needs of the strategic development and management of UT Capital, as well as the requirements of the existing laws and regulations of the PRC. In drawing up this arrangement, the relevant provisions of the share option incentive scheme and the contribution of relevant staffs to UT Capital have been fully considered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

65. RELATED PARTY TRANSACTIONS

In addition to the joints and associates of the group set out in note 23 above, the name and the relationship of other related parties are set out as below:

<u>Name of the related party</u>	<u>Relationship of the related party</u>
BNP Paribas Investment Partners BE Holding SA	Holds more than 10% of the shares of the Group's subsidiary
BNP Paribas (China) Limited	Note A
BNP Paribas Investment Partners Japan Ltd	Note A
BNP Paribas Investment Partners Singapore Ltd	Note A
BNP Paribas Wealth Management Bank	Note A
BNP Paribas Investment Partners Switzerland Ltd	Note A
BNP Paribas SA	Note A
BNP Paribas Investment Partners Hong Kong Ltd	Note A
Shinhan BNP Paribas Asset Management (Hong Kong) Co., Ltd	Note A
BNP Paribas Investment Ltd (Asia)	Note A
Shanghai Shengyuan Real-Estate (Group) Co., Ltd	Note A
China-Belgium Direct Equity Investment Fund	A fund managed by the subsidiary
Haitong (Jilin) Cultural Industries Investment Fund (Limited Partnership)	An associated entity with the Group's subsidiary
Xi'an Hai Chuang Zhi Xing Venture Investment Limited Partnership	An associated entity with the Group's subsidiary

Note A: The subsidiary of the company which holds more than 10% of the shares of the Group's subsidiary.

Except for the amount listed in Note 62, the Group's major transactions with related parties are as follows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

65. RELATED PARTY TRANSACTIONS (continued)

	2017 RMB'000	2016 RMB'000
Commission and fee income:		
– Shanghai Equity Investment Fund Limited Partnership	60,725	60,252
– Xi'an Aerospace and New Energy Industry Fund	18,887	30,095
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	19,878	21,158
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	31,929	38,122
– Fullgoal Fund Management Co. Ltd.	23,814	53,007
– Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)	5,550	5,659
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	18,890	19,298
– China-Belgium Direct Equity Investment Fund	108,229	172,344
– Shanghai Shengyuan Real-Estate (Group) Co., Ltd	–	2
– Haitong (Jilin) Cultural Industries Investment Fund (Limited Partnership)	2,129	633
– Guang Dong Southern Media Integration Development Investment Fund (Limited Partnership)	8,306	6,465
– Xi'an Hai Chuang Zhi Xing Venture Investment Limited Partnership	1,203	1,877
– Haitong Qidong (Weihai) Equity Investment Fund Limited Partnership	22,230	–
– Entities related to BNP Paribas (Note A)	10,415	15,914

Note A: Entities related to BNP Paribas include BNP Paribas Investment Partners BE Holding SA, BNP Paribas (China) Limited, BNP Paribas Investment Partners Japan Ltd, BNP Paribas Investment Partners Singapore Ltd, BNP Paribas Wealth Management Bank, BNP Paribas Investment Partners Switzerland Ltd, BNP Paribas, BNP Paribas Investment Partners Hong Kong Ltd, Shinhan BNP Paribas Asset Management (Hong Kong) Co., Ltd., BNP Paribas Investment Ltd (Asia) and BNP Paribas Asset Management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

65. RELATED PARTY TRANSACTIONS (continued)

	2017	2016
	RMB'000	RMB'000
Bonds transaction:		
– BNP Paribas (China) Ltd.	310,000	1,624,486
Interest rate swap:		
– BNP Paribas (China) Limited	340,000	660,000
Pledge-style Repo:		
– Entities related to BNP Paribas	190,120	–
Investment Gains:		
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	12,187	–
Interest expense:		
– Shanghai Equity Investment Fund Limited Partnership	–	(17,282)
– Others (<i>Note</i>)	–	(27)

Note: Others include Fullgoal Fund Management Co. Ltd., Xi'an Hai Chuang Zhi Xing Venture Investment Limited Partnership and Xi'an Jun Rong Satellite Fund Investment Limited.

	2017	2016
	RMB'000	RMB'000
Administration expense:		
– Shanghai Shengyuan Real Estate (Group) Co., Ltd.	(97)	–
– Entities related to BNP Paribas	(122)	(1,465)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

65. RELATED PARTY TRANSACTIONS (continued)

	2017/12/31 RMB'000	2016/12/31 RMB'000
Accounts receivable from:		
– China-Belgium Direct Equity Investment Fund	–	112,200
– Entities related to BNP Paribas	2,133	3,734
Accounts payable to:		
– Entities related to BNP Paribas	(10,146)	(268)
Accounts payable to brokerage clients:		
– Fullgoal Fund Management Co. Ltd.	(20)	(30,868)
– Haitong Qidong (Weihai) Equity Investment Fund Limited Partnership	(3,579)	–
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	(2,015)	–
– Haitong (Jilin) Cultural Industries Investment Fund Limited Partnership	(56)	–
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	(33)	–
– Shanghai Equity Investment Fund Limited Partnership	(18)	–
– Shanghai Shengyuan Real-Estate (Group) Co., Ltd	(3)	–
– Shanghai Cultural Industries Investment Fund Limited Partnership	(10)	–
Short-term financing bills payables:		
– Shanghai Equity Investment Fund Limited Partnership	–	(670,000)
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund	(14,000)	(14,000)
– Xi'an Hai Chuang Zhi Xing Venture Investment	–	(15,050)
– Xi'an Jun Rong Satellite Fund Investment Limited	–	(49,000)

The remuneration of the key management personnel of the Group was as follows:

	2017 RMB'000	2016 RMB'000
Short-term benefits:		
– Fees, salaries, commission and bonuses	79,863	75,999
Post-employment benefits:		
– Employer's contribution to pension schemes/annuity plans	5,025	3,721
Total	84,888	79,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

66. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	<i>Notes</i>	2017/12/31 RMB'000	2016/12/31 <i>RMB'000</i>
Non-current assets			
Property and equipment		1,183,209	1,110,031
Investment properties		16,864	18,059
Other intangible assets		227,551	203,036
Investments in subsidiaries	21	26,022,222	25,266,156
Investments accounted for using equity method		790,027	681,741
Available-for-sale investments		17,446,144	19,914,061
Other loans and receivables		200,000	–
Deferred tax assets		1,036,787	1,173,164
Other assets		13,998	41,487
Financial assets held under resale agreements		21,204,776	16,919,234
Total non-current assets		68,141,578	65,326,969
Current assets			
Advances to customers on margin financing		47,877,760	44,591,606
Accounts receivable		685,160	169,281
Other receivables and prepayments		1,592,123	1,677,902
Amount due from a subsidiary		1,547,320	1,742,531
Available-for-sale investments		3,290,939	4,686,254
Other loans and receivables		200,000	14,700,000
Financial assets held under resale agreements		67,653,138	49,533,072
Financial assets at fair value through profit or loss		48,977,872	45,896,579
Deposits with exchanges		963,294	701,485
Clearing settlement funds		8,090,798	12,149,685
Bank balances and cash		59,257,478	76,058,406
Total current assets		240,135,882	251,906,801
Total assets		308,277,460	317,233,770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

66. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (continued)

	2017/12/31 RMB'000	2016/12/31 RMB'000
Current liabilities		
Borrowings	1,137,412	34,479
Short-term financing bills payables	21,897,221	18,434,617
Placements from other financial institutions	5,450,000	1,900,000
Accounts payable to brokerage clients	51,295,045	65,239,234
Other payables and accruals	6,425,263	7,859,810
Amount due to a subsidiary	30,184	28,792
Tax liabilities	818,917	860,982
Financial liabilities at fair value through profit or loss	2,276,176	4,195,101
Derivative financial liabilities	625,530	225,340
Financial assets sold under repurchase agreements	21,054,364	28,230,549
Bond Payable	6,135,789	5,673,288
Total current liabilities	117,145,901	132,682,192
Net current assets	122,989,981	119,224,609
Total assets less current liabilities	191,131,559	184,551,578
Equity		
Share capital	11,501,700	11,501,700
Capital reserve	56,486,199	56,486,199
Investment revaluation reserve	1,296,284	(660,702)
General reserves	17,111,739	15,255,470
Retained profits	20,463,236	18,662,316
Total equity	106,859,158	101,244,983
Non-current liabilities		
Deferred tax liabilities	598,833	66,258
Bond payables	82,311,178	81,145,026
Long-term borrowing	514,780	1,211,621
Financial assets sold under repurchase agreements	400,000	–
Financial liabilities at fair value through profit or loss	–	527,800
Other payables and accruals	447,610	355,890
Total non-current liabilities	84,272,401	83,306,595
Total equity and non-current liabilities	191,131,559	184,551,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

66. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (continued) FOR THE YEAR ENDED 31 December 2017

	Share Capital RMB'000	Capital Reserve RMB'000	Investment revaluation reserve RMB'000	General Reserve RMB'000	Retained Profit RMB'000	Total RMB'000
	<i>(Note a)</i>					
At 1 January 2017	11,501,700	56,486,199	(660,702)	15,255,470	18,662,315	101,244,982
Profit for the year	-	-	-	-	6,187,564	6,187,564
Other comprehensive income for the year	-	-	1,956,986	-	-	1,956,986
Total comprehensive income for the year	-	-	1,956,986	-	6,187,564	8,144,550
Appropriation to general reserves	-	-	-	1,856,269	(1,856,269)	-
Cash dividends recognised as distribution (Note 61)	-	-	-	-	(2,530,374)	(2,530,374)
At 31 December 2017	11,501,700	56,486,199	1,296,284	17,111,739	20,463,236	106,859,158
At 1 January 2016	11,501,700	56,486,199	(237,093)	13,538,067	19,830,808	101,119,681
Profit for the year	-	-	-	-	5,724,675	5,724,675
Other comprehensive expense for the year	-	-	(423,609)	-	-	(423,609)
Total comprehensive (expense) income for the year	-	-	(423,609)	-	5,724,675	5,301,066
Appropriation to general reserves	-	-	-	1,717,403	(1,717,403)	-
Cash dividends recognised as distribution (Note 61)	-	-	-	-	(5,175,765)	(5,175,765)
At 31 December 2016	11,501,700	56,486,199	(660,702)	15,255,470	18,662,315	101,244,982

Note a: Capital reserve of the Company represents primarily the share premium arisen from the issuance of the Company's shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

67. SEGMENT REPORTING

Information reported to the chief operating decision maker (the “CODM”), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group’s basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offers different products and serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group’s reportable and operating segments are as follows:

- (a) the brokerage segment engages in the trading of equities, bonds, funds, and warrants, as well as futures on behalf of the customers, and also providing margin financing and securities lending services (the “Securities and futures brokerage” segment);
- (b) the assets management segment mainly offers traditional asset management products and services, private equity asset management business (the “Asset management business” segment) through the Company and qualified subsidiaries in mainland China;
- (c) the proprietary trading segment engages in trading of equities, bonds, funds, derivative and other financial products (the “Proprietary trading” segment) through the Company and qualified subsidiaries in mainland China;
- (d) the investment banking segment provides corporate finance services, including equity underwriting, debt underwriting and financial advisory services to institutional clients (the “Investment banking” segment);
- (e) the direct investment segment makes direct equity investments in private companies and earns capital gains by exiting from these private equity investments through IPOs or share sales, or receives dividends from these portfolio companies. In addition, the Group invests in private equity funds (the “Direct investment” segment);
- (f) the headquarters and others segment mainly represents head office operations, investment holding as well as interest income and interest expense incurred for general working capital purpose (the “Headquarters and others” segment);
- (g) the finance lease segment mainly represents the finance lease operation in mainland China through Haitong UT Capital, which is a wholly owned subsidiary of the Group (the “Finance Lease” segment); and
- (h) the overseas operations segment mainly represents the business operation of overseas subsidiaries of the Company, which mainly engage in broking, margin financing, corporate advisory, placing and underwriting, trading and investment and financial planning and advisory services and banking services (the “Overseas operations” segment).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

67. SEGMENT REPORTING (continued)

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the years ended 31 December 2017 and 2016.

Segment profit/loss represents the profit earned by/loss measured by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segment assets/liabilities are allocated to each segment, excluding investments in associates and joint ventures, deferred tax assets/liabilities. Inter-segment balances eliminations mainly include amount due from/to another segment arising from investing activities' carried out by a segment for another segment.

Share of result of associates and joint ventures are allocated to segment profit/loss while the corresponding investments in associates and joint ventures are not allocated to each segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

67. SEGMENT REPORTING (continued)

The segment information provided to the CODM for the operating and reportable segments for the years ended 31 December 2017 and 2016 is as follows:

Operating and Reportable segment

For the year ended 31 December 2017

	Securities and futures brokerage	Asset management	Proprietary trading	Investment banking	Direct investment	Headquarters and others	Finance lease	Overseas operations	Segment total	Eliminations	Consolidated total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue and results											
Revenue											
– External	11,881,958	2,350,223	3,298,983	2,215,681	1,898,049	2,734,511	3,203,841	8,093,776	35,677,022	–	35,677,022
– Inter-segment	1,180,504	62	85	9,345	527,348	5,919,424	–	148,938	7,785,706	(7,785,706)	–
Other income and gains	166,972	55,194	4,257,630	1,593	30,277	497,343	1,069,377	(365,396)	5,712,990	(65,510)	5,647,480
Segment revenue	13,229,434	2,405,479	7,556,698	2,226,619	2,455,674	9,151,278	4,273,218	7,877,318	49,175,718	(7,851,216)	41,324,502
Segment expenses	9,438,391	1,024,475	5,571,438	1,062,633	367,611	8,102,312	2,711,021	7,138,042	35,415,923	(6,272,331)	29,143,592
Segment result	3,791,043	1,381,004	1,985,260	1,163,986	2,088,063	1,048,966	1,562,197	739,276	13,759,795	(1,578,885)	12,180,910
Share of results of associates and joint ventures	–	–	–	–	89,974	201,665	–	416,848	708,487	–	708,487
Profit before income tax	3,791,043	1,381,004	1,985,260	1,163,986	2,178,037	1,250,631	1,562,197	1,156,124	14,468,282	(1,578,885)	12,889,397
Segment assets and liabilities											
Segment assets	147,046,483	9,174,514	49,547,796	795,444	10,814,154	134,803,093	61,543,962	141,991,112	555,716,558	(33,924,045)	521,792,513
Investments accounted for using equity method											10,062,370
Deferred tax assets											2,851,450
Group's total assets											534,706,333
Segment liabilities	69,842,332	2,175,331	15,048,385	625,941	2,814,299	133,643,944	50,413,309	136,788,409	411,351,950	(7,207,241)	404,144,709
Deferred tax liabilities											867,320
Group's total liabilities											405,012,029
Other segment information (Amounts included in the measure of segment profit or loss:)											
Depreciation and amortization	100,098	16,987	5,328	6,665	3,936	195,258	8,608	148,457	485,337	–	485,337
Impairment losses of available- for-sale investments	–	(82,539)	95,351	–	45,332	–	–	189,819	247,963	–	247,963
Impairment losses of loans & receivables	180,600	34,346	(12,883)	45	–	13,061	589,894	637,478	1,442,541	(3,846)	1,438,695
Interest income	7,061,455	119,938	213,506	59	47,739	2,276,121	3,116,890	2,288,609	15,124,317	–	15,124,317
Interest expenses	576,165	4,857	922,206	–	99,120	5,283,199	1,585,425	2,987,420	11,458,392	–	11,458,392

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

67. SEGMENT REPORTING (continued)

Operating and Reportable segment (continued)

For the year ended 31 December 2016

	Securities and futures brokerage RMB'000	Asset management RMB'000	Proprietary trading RMB'000	Investment banking RMB'000	Direct investment RMB'000	Headquarters and others RMB'000	Finance lease RMB'000	Overseas operations RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results											
Revenue											
- External	13,535,152	1,861,378	2,999,613	2,162,600	1,032,355	3,366,837	2,553,733	7,488,096	34,999,764	-	34,999,764
- Inter-segment	1,473,861	(86)	100,852	56,080	43,770	3,002,891	-	(26,348)	4,651,020	(4,651,020)	-
Other income and gains	(67,358)	49,610	5,932,946	913	6,000	370,986	778,502	352,016	7,423,615	68,877	7,492,492
Segment revenue	14,941,655	1,910,902	9,033,411	2,219,593	1,082,125	6,740,714	3,332,235	7,813,764	47,074,399	(4,582,143)	42,492,256
Segment expenses	9,764,683	987,431	6,878,209	1,012,510	271,560	7,625,486	2,215,050	7,102,068	35,856,997	(4,326,033)	31,530,964
Segment result	5,176,972	923,471	2,155,202	1,207,083	810,565	(884,772)	1,117,185	711,696	11,217,402	(256,110)	10,961,292
Share of results of associates and joint ventures											
	-	(52)	-	-	24,047	208,841	-	(32,401)	200,435	-	200,435
Profit before income tax	5,176,972	923,419	2,155,202	1,207,083	834,612	(675,931)	1,117,185	679,295	11,417,837	(256,110)	11,161,727
Segment assets and liabilities											
Segment assets	137,762,028	18,415,373	47,389,875	866,787	11,712,997	164,519,754	48,127,299	159,952,141	588,746,254	(39,403,812)	549,342,442
Investments accounted for using equity method											8,749,592
Deferred tax assets											2,773,812
Group's total assets											
Segment liabilities	111,094,778	10,436,209	21,132,849	1,665,598	2,464,639	109,662,691	37,957,839	153,314,725	447,729,328	(9,379,355)	438,349,973
Deferred tax liabilities											557,472
Group's total liabilities											
Other segment information											
(Amounts included in the measure of segment profit or loss:)											
Depreciation and amortization	113,537	18,453	5,211	5,288	340	149,058	4,207	82,995	379,089	-	379,089
Impairment losses of available-for-sale investments-	-	-	-	-	92,775	-	-	147,770	240,545	-	240,545
Impairment losses of loans & receivables	35,884	311	22,135	558	-	(23,513)	563,032	580,540	1,178,947	-	1,178,947
Interest income	7,095,941	727,417	304,308	36	16,819	2,831,500	2,451,386	2,753,141	16,180,548	-	16,180,548
Interest expenses	2,398,375	27,000	690,134	-	113,247	4,355,088	1,250,864	3,506,229	12,340,937	-	12,340,937

The Group operates mainly in three principal geographical areas, the mainland China, Hong Kong and Europe. Segment revenue and segment assets in respect of overseas operations segment are substantially attributable to Hong Kong and Europe. The remaining segment revenue and segment assets are attributable to the mainland China. No single customers contribute more than 10% of income to the Group's income for the years ended 31 December 2016 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include equity and debt investments, loans and advances, advances to customers on margin financing, accounts receivable, other loan and receivables, held-to-maturity investments, finance lease receivables, derivatives financial assets, placements to banks and other financial institutions, other receivables and prepayments, financial assets held under resale agreements, deposit with exchanges, clearing settlement funds, bank balances and cash, restricted bank deposits, borrowings, financial assets sold under repurchase agreements, accounts payable to brokerage clients and other payables and accruals. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The tables below show the maximum credit risk exposure of the Group, being the carrying amount of the respective recognised financial assets before the effect of mitigation through the use of collateral.

	2017/12/31 RMB'000	2016/12/31 RMB'000
Advances to customers on margin financing	61,560,953	63,212,920
Accounts receivable	7,442,000	6,929,537
Other receivables and prepayments	5,741,974	10,228,802
Other loan and receivables	29,246,575	38,471,418
Held-to-maturity investments	78,718	83,509
Finance lease receivables	43,536,176	36,555,221
Available-for-sale debt investments	4,959,363	12,563,689
Financial assets held under resale agreements	96,549,869	84,523,225
Placements to banks and other financial institutions	679,092	705,848
Financial assets at fair value through profit or loss	63,166,764	53,332,885
Deposits with exchanges	8,528,675	8,952,031
Clearing settlement funds	7,982,729	12,191,899
Bank balances and cash	99,358,329	119,217,455
Restricted bank deposits	675,568	771,029
Deposits with central banks	3,445,696	274,303
Deposits with other banks	316,134	761,628
Loans and advances	4,838,272	5,612,289
Derivative financial assets	2,610,612	3,935,071
Maximum credit exposure	440,717,499	458,322,759
Off balance sheet items credit exposure		
Guarantee granted	1,360,846	1,716,670
Irrevocable commitments	108,756	123,901
Maximum off balance sheet items credit exposure	1,469,602	1,840,571

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Credit exposures arise principally from investments in debt securities, advances to customers on margin financing, accounts receivable, placements to banks and other financial institutions, finance lease receivables, clearing settlement funds and bank balances which are included in the Group's asset portfolios.

Credit exposure arising from investments in debt securities and fixed-yield trust products include downgrading of credit rating of the debt securities and/or of its underlying issuers and default of payments by the issuers. The Group has implemented a policy not to invest in debt securities with ratings below A-3 (short-term) and BBB (mid and long term). Management also closely monitors the credit ratings of respective debt securities on a regular basis and the financial soundness of the underlying issuers.

Credit exposure arising from bank products is considered to be limited as the Group only invest in low-risk bank products issued by state-owned banks and large commercial banks.

The Group provides clients with margin financing for securities transactions and securities lending to clients, which are secured by clients' securities or deposits held as collateral. Management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Each client has a maximum credit limit based on the quality of collateral held and the financial background of the client. In addition, the Group reviews the recoverable amount of each client regularly to ensure that adequate impairment losses are made for irrecoverable amounts. Margin calls are made when the trades of margin clients exceed their respective limits. Any such excess is required to be made good within the next trading day. The Group seeks to maintain strict control over its outstanding receivables.

As at 31 December 2017, advances to customers on margin financing are secured and/or backed by guarantee. Credit limits are set for borrowers. Apart from collateral monitoring, the Group seeks to maintain tight control over its loans and advances in order to minimise credit risk by reviewing the borrowers' or guarantors' financial positions.

The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management. Accounts receivable from cash clients who are neither past due nor impaired represent unsettled client trades on various securities exchanges transacted on the last two business days prior to the respective reporting date. Accounts receivable from cash clients which are past due but not impaired represent client trades on various securities exchanges which are unsettled beyond the settlement date. When the cash clients failed to settle on settlement date, the Group has a right to force-sell the collateral underlying the securities transactions. The outstanding accounts receivable from cash clients as at 31 December 2017 and 2016 are not considered to be impaired after taking into consideration the recoverability from collateral. Collateral held against such receivables are publicly traded securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The credit risk of the Group regarding finance lease receivables is that lessee fail to fulfil contractual obligations. The Group established standard policies and operational procedures and controls over finance lease activities, which include project due diligence and application, project review and approval, disbursements, post-lending monitoring and management of non-performing finance lease receivables etc. Through implementation of these standard policies and procedures, effective use of business information system and continuous optimising the portfolio of finance lease receivables, the Group is able to identify, monitor and manage its potential credit risk in its portfolio. Changes in economic environment or a particular industry may result in losses to the Group. The finance lease business activities are carried out in different regions of Mainland China with their unique economic characteristics. As a result, the management of Haitong UT Capital, a wholly-owned subsidiary of the Group, which mainly engages in finance leases business, monitors credit risk closely. Haitong UT Capital's business department, credit department, operation department, legal department and risk management department are responsible for monitoring credit risk and reporting to the Group's management periodically. The Group sets credit limit for each borrower and monitors the credit limit by regular review.

Haitong Bank's credit risk is based on possible financial losses due to failure by the customer or counterpart in relation to the obligations established with the Group upon contract within their credit activity. Credit risk is essentially present in traditional banking products – loans, guarantees and other contingent liabilities – and in negotiation products – swaps, forwards and options (counterparty risk).

Permanent management of loan portfolio is undertaken, which favours the interaction between several teams engaged in risk management throughout the continuous stages of the credit process. This approach is complemented by the implementation of continuous upgrades to the methodologies and tools of risk evaluation and control.

There are regular follow-ups of the bank's credit risk profile, namely in what concerns the evaluation of credit exposures and monitoring of credit losses. Also subject to analysis is the compliance with the approved credit limits and the correct operation of mechanisms associated with the approval of credit lines within the business area's ongoing activity.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from the market in the capacity of a financial institution, and the ability to close out market positions. As part of the measures to safeguard liquidity, the Group has maintained substantial long-term and other stand-by banking facilities, diversifying the funding sources and spacing out the maturity dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Undiscounted cash flows by contractual maturities

The table below presents the cash flows payable by the Group under financial liabilities held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows.

As at 31 December 2017

	On Demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	5 years and above RMB'000	Total RMB'000
Borrowings	-	27,348,606	22,388,833	16,482,482	-	66,219,921
Deposits from central bank	-	-	468,138	-	-	468,138
Deposits from other banks	293,733	-	-	-	-	293,733
Customer accounts	475,574	1,149,083	1,670,420	465,339	-	3,760,416
Accounts payable to brokerage clients	83,774,388	-	-	-	-	83,774,388
Placements from other financial institutions	-	2,502,338	3,153,006	6,054,186	763,897	12,473,427
Financial assets sold under repurchase agreements	1,684,639	18,897,528	12,513,919	406,066	-	33,502,152
Other payables and accruals	6,863,677	1,070,746	1,674,629	328,101	58,215	9,995,368
Short-term financing bills payables	-	11,905,428	18,372,241	-	-	30,277,669
Bonds payable	-	1,885,794	18,514,853	111,379,979	10,304,304	142,084,930
Financial liabilities at fair value through profit or loss	17,754,923	1,070,739	1,209,724	712,400	-	20,747,786
Derivative financial liabilities	1,149,788	416,542	317,057	561,371	1,050,696	3,495,454
Long-term payables	-	-	-	4,748,305	65,394	4,813,699
	111,996,722	66,246,804	80,282,820	141,138,229	12,242,506	411,907,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Undiscounted cash flows by contractual maturities (continued)

As at 31 December 2016

	On Demand	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	-	43,410,730	15,300,746	6,349,088	-	65,060,564
Deposits from central bank	-	-	-	438,408	-	438,408
Deposits from other banks	14,586	-	-	-	-	14,586
Customer accounts	136,625	1,338,708	2,531,139	1,105,366	22,052	5,133,890
Accounts payable to brokerage clients	104,059,287	-	-	-	-	104,059,287
Placements from other financial institutions	-	3,412,118	397,638	5,361,952	868,784	10,040,492
Financial assets sold under repurchase agreements	-	35,108,688	8,721,705	93,247	-	43,923,640
Other payables and accruals	6,036,524	1,817,715	3,313,003	415,802	67,838	11,650,882
Short-term financing bills payables	-	8,940,379	11,900,779	-	-	20,841,158
Bonds payable	-	1,093,680	10,771,368	129,603,219	3,633,459	145,101,726
Financial liabilities at fair value through profit or loss	20,857,779	293,627	17,063,210	601,046	-	38,815,662
Derivative financial liabilities	228,845	127,717	258,267	648,381	1,330,799	2,594,009
Long-term payables	-	-	-	3,521,003	18,518	3,539,521
	131,333,646	95,543,362	70,257,855	148,137,512	5,941,450	451,213,825

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in economic environment. Market risk comprises three types of risks: price risk, currency risk and interest rate risk.

The Group's exposures to market risk include price risk, interest rate risk and currency risk.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting equity instruments traded in the market.

The Group is exposed to price risk arising from individual equity investment classified as financial assets held for trading and available-for-sale investments. The directors of the Company manage the exposure by closely monitoring the portfolio of investments and have started hedging exposure by entering into derivatives contracts since 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Price risk (continued)

The Group have utilised the effect of stock price variation on net profit or loss and investment revaluation reserve within the period to manage and analyse the price risk. When reporting internally to the key management on risk, the management estimates that reasonable possible change in price is 10%. If the prices of the respective equity instruments had been 10% higher/lower, and held other variables constant, the impacts to the profit for the year and investment revaluation reserve are as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Profit for the year		
Increase by 10%	1,211,927	933,636
Decrease by 10%	(1,211,927)	(933,636)
Investment revaluation reserve		
Increase by 10%	44,405	268,860
Decrease by 10%	(44,405)	(268,860)

In the above analysis, management also considers the case of an available-for-sale equity investment that a reasonably possible downward fall in the equity price would lead the investment to be impaired, the effect of loss would be shown as affecting profit or loss and the cumulative loss previously recognised in investment revaluation reserve would be reclassified to profit or loss, but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

In the case that an available-for-sale equity investment that has already been impaired, a reasonably possible downward fall in the equity price may continue to be recognised in profit or loss but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

In management's opinion, the sensitivity analysis is unrepresentative of inherent price risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to the Group's bank balances and cash, advances to customers on margin financing, clearing settlement funds, deposits with exchanges, debt securities, placements to banks and other financial institutions and finance lease receivables. Management actively monitors the Group's net interest rate exposure through setting limits on the level of mismatch of interest rate repricing and duration gap and aims at maintaining an interest rate spread, such that the Group is always in a net interest-bearing asset position and derive net interest income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

Fluctuations of prevailing rate quoted by the People's Bank of China and Hong Kong Inter-bank Offered Rate are the major sources of the Group's cash flow interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate financial assets and liabilities. The analysis is prepared by selecting major entities named the Company, and HITH, the director of the Company hold the opinion that this scope has covered the majority interest bearing assets and liabilities of the Group. The Group analyse interest risk by applying different Dollar Value of a one-basis point change (DV01) to respectively companies, and assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. When reporting to the management on the interest rate risk, the Group will adopt a 25 basis points increase or decrease for sensitivity analysis, while considering the reasonably possible change in interest rates.

	2017 RMB'000	2016 RMB'000
Profit after income tax for the year		
Increase by 25bps	(32,239)	(40,357)
Decrease by 25bps	32,239	40,357
Other comprehensive income after income tax		
Increase by 25bps	(33,490)	(46,978)
Decrease by 25bps	33,490	46,978

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. With the internationalization of the Group, currency risk exposure gradually increased. In addition to the overseas equity investment, Group's foreign currency business and foreign currency assets has become increasingly rich. Position of HKD, USD, EUR, and other non RMB asset increased. Some overseas subsidiaries or affiliates also issued Non-RMB bonds, say Euro Bonds, USD Bonds and HKD Bonds. The foreign currency liabilities increased. These changes make the Group facing a currency risk due to the existence of the differences of currency of assets and liabilities. In addition, with the development of the FTA ("Free Trade Area") business, especially offshore debt and foreign investment gradually increased, also result in an increase of currency risk. During the reporting period, the People's Bank of China gradually deepen the process of RMB marketization, and the volatility of RMB foreign exchange rate increased, which leading to a more serious currency risk for the Group. In view of the exchange rate market and the development of the Group, the management continues to strengthen in tracking and researching the currency risk, and constantly improve the internal management and system construction. The Group is trying to hedge and release the currency risk by a series of means, so as to support the Group to explore oversea business. As of 31 December 2017, the Group's currency risk is under management's control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

Sensitivity analysis

The Group's main currency risk exposure comes from its non-functional currency position, the sensitivity analysis below has been determined based on the exposure to foreign exchange rates for financial assets and financial liabilities denominated in non-functional currency for the Group. The analysis is prepared assuming the financial instruments outstanding at 31 December 2017 were outstanding for the whole year. When reporting to the management on the currency risk, the Group will adopt a 5% increase or decrease for sensitivity analysis, while considering the reasonably possible change in RMB non-functional currency.

If RMB strengthened/weakened against non-functional currency by 5% with all other variables held constant, the Group's profit for the year ended 31 December 2017 would increase or decrease by RMB343,109,000 (31 December 2016: RMB381,165,000) respectively.

Fair value of financial assets and liabilities

Some of the Group's financial assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Group has set up certain process to determine the appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the process and the determination of fair value are reviewed by the board of directors periodically.

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value is determined by discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives;
- The fair value of other financial assets and financial liabilities (excluding those described above) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group uses valuation techniques to determine the fair value of financial instruments when it is unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

Sensitivity analysis (continued)

Fair value of financial assets and liabilities (continued)

Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external values, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The fair value measurement of these instruments will not change significantly if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

Financial instruments not measured at fair value

The table below summarises the carrying amounts and expected fair values with obvious variances of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair values.

	As at 31 December 2017		As at 31 December 2016	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets				
Held-to-maturity financial assets	78,718	78,867	83,509	82,679
Financial liabilities				
Non-convertible bonds payable	125,252,866	120,751,828	122,597,884	124,500,824

Fair value hierarchy of financial instruments not measured at fair value

As at 31 December 2017

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Held-to-maturity financial assets	–	78,867	–	78,867
Financial liabilities				
Bonds payable	–	124,154,079	–	124,154,079

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments not measured at fair value (continued)

Fair value hierarchy of financial instruments not measured at fair value (continued)

As at 31 December 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Held-to-maturity financial assets	–	82,679	–	82,679
Financial liabilities				
Bonds payable	–	129,261,977	–	129,261,977

The fair values of the financial assets and financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's statements of financial position approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

Instruments which have been valued using unobservable inputs have been classified by the Group as level 3. Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external appraisers, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The fair value measurement of these instruments will not change significantly if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2017 In RMB '000	Fair value as at 31 December 2016 In RMB '000	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Listed options	Derivative instruments	466,542 (Assets) 1,024,867 (Liabilities)	385,103 (Assets) 47,497 (Liabilities)	Level 1	The fair value of listed option was determined by quoted bid prices in an active market.	N/A	N/A
2) Unlisted options	Derivative instruments	81,119 (Assets) 503,386 (Liabilities)	48,431 (Assets) 56,727 (Liabilities)	Level 2	Fair value was determined based on option pricing model with market observable inputs, such as quoted market price, dividend yield, observable volatilities, as key parameters.	N/A	N/A
3) Debt linked notes	Derivative instruments	265,955 (Assets)	526,978 (Assets)	Level 2	The fair value of the debt linked notes were determined with reference to the quoted price of the underlying debt instruments.	N/A	N/A
4) Commodity forward contracts	Derivative instruments	1,992 (Assets) 12,729 (Liabilities)	8,809 (Assets) 84,467 (Liabilities)	Level 2	Discounted cash flows. Future cash flows are estimated based on observable commodity forward price and contracted exercise price.	N/A	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2017 <i>In RMB '000</i>	Fair value as at 31 December 2016 <i>In RMB '000</i>	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
5) Foreign exchange Forward contracts	Derivative instruments	91,779 (Assets) 106,618 (Liabilities)	116,818 (Assets) 179,507 (Liabilities)	Level 2	Fair value was determined based on discounted cash flow model applying various market observable financial parameters including interest rates, forward exchange rate.	N/A	N/A
6) Interest rate, foreign exchange and credit default swap contracts	Derivative instruments	1,586,509 (Assets) 1,611,497 (Liabilities)	2,826,005 (Assets) 1,924,886 (Liabilities)	Level 2	Fair value was determined based on discounted cash flow model applying various market observable financial parameters including interest rates, forward exchange rate, credit spread, etc.	N/A	N/A
7) Embedded equity instruments	Derivative instruments	86 (Liabilities)	73,045 (Liabilities)	Level 2	Fair value was determined based on option pricing model with market observable inputs, such as quoted market price, dividend yield, as key parameters.	N/A	N/A
8) Equity swap contracts	Derivative instruments	48,678 (Assets) 236,272 (Liabilities)	22,927 (Assets) 227,880 (Liabilities)	Level 2	The fair value of the equity swap contracts were determined with reference to the quoted price of the underlying equity instruments and contacted interest rates.	N/A	N/A
9) Commodity forward	Derivative instruments	68,037 (Assets)	–	Level 2	The fair value of the commodity forward was estimated based on internal model considering observable quoted price of the same underlying commodity and risk-free interest rates curve as key parameter.	N/A	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2017 In RMB '000	Fair value as at 31 December 2016 In RMB '000	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
10) Listed equity investments (non-restricted shares), funds investments and debt investments	Financial assets at fair value through profit or loss	28,267,897	21,657,821	Level 1	Quoted bid prices in an active market.	N/A	N/A
		200,021	21,536,767	Level 2	Equity: the fair value of equity investments was based on the recent transaction price of the investments.		
		27,964,860	3,771,826	Level 2	Debts: the fair values was determined with reference to the quoted price provided by brokers/financial institutions.		
		2,103,830	-	Level 2	Debts: fair value was determined based on discounted cash flow model applying observable market interest rates.		
	Financial liabilities held for trading	1,829,906	323,126	Level 1	Quoted bid prices in an active market.		
		31,318	41,547	Level 2	Equity: the fair values was determined with reference to the quoted price provided by brokers/financial institutions.		
		1,997,549	-	Level 2	Debts: the fair values was determined with reference to the quoted price provided by brokers/financial institutions.		
		3,014,969	-	Level 2	Debts: fair value was determined based on discounted cash flow model applying observable market interest rates.		
		77,496	2,147	Level 1	Quoted bid prices in an active market.		
		2,924,764	6,272,789		Quoted bid prices in an active market.		
Financial liabilities designated as FVTPL	Available-for-sale investments	461,748	3,682,365	Level 2	The fair value was based on the recent transaction price of the investments.		
		377,155	-	Level 2	The fair values was determined with reference to the quoted price provided by brokers/financial institutions.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2017 In RMB '000	Fair value as at 31 December 2016 In RMB '000	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
11) Unlisted equity investments (non- restricted shares)	Financial assets at fair value through profit or loss	954,426	962,956	Level 2	The fair value was determined with reference to the recent transaction price of the investments.	N/A	N/A
		344,023	-	Level 2	The fair value is determined with reference to the net asset value of unlisted equity/partnership investment mostly determined based on the fair value of the underlying investment portfolio, which is comprised of (i) listed equity investments of which their price are quoted in active market and/or (ii) unlisted debt investment of which the fair value are determined based on quoted price provided by brokers/financial institution and/or (iii) discounted cash flows that the futures cash flows are based on the contractual values as at the maturity date and discounted at a rate determined by observable market yield.	N/A	N/A
		480,774	269,313	Level 3	The fair value is based on the net asset value of the unlisted equity, with reference to the market value of the comparable listed company as well as the liquidity discount impact.	Market value	The higher the market value, the higher the fair value.
		-	3,166,124		The fair value is derived from the net asset value of such unlisted direct equity investment that is mostly attributable from its underlying listed equity investment which is a restricted share with its fair value is determined with reference to the quoted market prices of the shares with an adjustment of discount for lack of marketability.	Discount for lack of marketability with reference to the quoted market prices of the shares.	The higher the discount, the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2017 In RMB '000	Fair value as at 31 December 2016 In RMB '000	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	Available-for-sale investments	661,518	1,607,954	Level 2	The fair value was based on the traction value of the products was calculated by observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
		4,803,297	44,284	Level 3	The fair value is based on the net asset value of the unlisted equity, with reference to the market value of the comparable listed company, as well as the liquidity discount impact.	Market value	The higher the market value, the higher the fair value.
	Financial liabilities designated as FVTPL	-	1,043	Level 2	The fair value was determined with reference to the recent transaction price of the investments.	N/A	N/A
12) Unlisted debt investments	Financial assets at fair value through profit or loss	5,226,316	1,013,346	Level 2	The fair value was determined with reference to the recent transaction price of the debt.	N/A	N/A
		17,236,440	18,662,260		Discounted cash flows. Future cash flows are estimated based on the yield curves of the various bonds.		
		334,930	198,946	Level 3	The fair value of the investments consist on the use of discount cash flow models but which imply the use non-observable market information.		
	Financial liabilities held for trading	865,380	8,127,478	Level 2	The fair values was determined with reference to the quoted price provided by brokers/financial institutions.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2017 In RMB '000	Fair value as at 31 December 2016 In RMB '000	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	Available-for-sale investments	61,274	958,456		The fair values was determined with reference to the quoted price provided by brokers/financial institutions.		
		1,398,625	4,877,194		Discounted cash flows. Future cash flows are estimated based on the yield curves of the various bonds.		
		557,782	195,462	Level 3	The fair value of the investments consist on the use of discount cash flow models but which imply the use non-observable market information.		
		-	303,700		Discounted future cash flows based on expected cash flows discounted at rate taking into account of the credit risk of the issuer.	Credit risk spread (loss given default)	The higher the loss given default, the higher the discount and the lower the fair value.
13) Unlisted fund investments	Financial assets at fair value through profit or loss	10,409,472	13,686,104	Level 2	The fair value was based on the net asset value of the underlying assets. The net asset values were determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
	Available-for-sale investments	4,554,965	7,067,004		The fair value was based on the net asset value of the underlying assets. The net asset values were determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.		
		429,422	177,430	Level 3	The fair value of the investments consist of quotation a provided by third parties but which imply the use non-observable market information.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2017 In RMB '000	Fair value as at 31 December 2016 In RMB '000	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
14) Investments in structure products, trust and other products (investing in equity or debt other than unlisted private equity)	Financial assets at fair value through profit or loss	6,333,710	7,422,031	Level 2	The fair values was determined with reference to the quoted price provided by brokers/financial institutions	N/A	N/A
	Available-for-sale investments	23,045,095	23,835,084		The fair value was determined with reference to the recent transaction price of the investments.		
		450,185	994,601		The fair value is determined with reference to the matured contract value and the discount rate was based on the observable market yield curve.		
15) Restricted shares and funds	Available-for-sale investments	1,731,046	1,646,561	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Reference to the quoted market prices of listed shares with an adjustment of discount for lack of marketability.	The higher the discount, the lower the fair value.
16) Financial liabilities arising from consolidation of structured entities	Financial liabilities designated as FVTPL	1,342,318	12,655,010	Level 2	Based on the net asset values of the structured entities, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2017 In RMB '000	Fair value as at 31 December 2016 In RMB '000	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
17) Structured notes issued	Financial liabilities designated as FVTPL	9,908,780	11,046,114	Level 2	Included in financial liabilities designated at fair value through profit or loss are the structured notes issued with return linked to equity investments, debt investments, fund investments, index of respective stock exchanges, or partnership investments. The risk of economic exposure on these structured products is primarily hedged using financial instruments classified as financial assets designated at fair value through profit or loss. The Group managed relevant assets and liabilities on a pair basis and as such relevant liabilities are valued with directly reference to its hedging assets.	N/A	N/A
		274,655	1,909,546	Level 3	The fair value is derived from the net asset value of such unlisted direct equity investment that is mostly attributable from its underlying listed equity investment which is a restricted share with its fair value is determined with reference to the quoted market prices of the shares with an adjustment of discount for lack of marketability under the approach of discounted cash flow. The directors of the Company considered that remaining assets or liabilities in such unlisted direct equity investment are not significant to the amount of overall investment and approximated to its fair value.	Discount rate for lack of marketability with reference to the prices of listed securities.	The higher the discount, the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Financial assets/ Financial liabilities	Classified as	Fair value as at 31 December 2017 In RMB '000	Fair value as at 31 December 2016 In RMB '000	Fair value hierarchy	Basis of fair value measurement/ Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
18) Gold lending business	Financial liabilities designated as FVTPL	327,600	4,433,520	Level 2	The fair value was determined with reference to the fair value of the underlying gold.	N/A	N/A
19) Gold options arrangement	Financial liabilities designated as FVTPL	1,073,529	-	Level 2	Discounted cash flow. Future cash flow represents the difference between exercise prices of gold option purchased and sold under the arrangement and discounted by oversell yield curve.	N/A	N/A
20) Investments in structure products	Available-for-sale investments	-	1,655,531	Level 3	Discounted future cash flows based on expected cash flows discounted at rate taking into account of the credit risk of the issuer.	Credit risk spread (loss given default)	The higher the loss given default, the higher the discount and the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

The following table represents the changes in financial instruments measured at level 3 fair value for the years ended 31 December 2017 and 2016.

Available-for-sale investments

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
As at the beginning of the year	4,022,968	6,264,036
Transfer in	4,361,651	–
Purchase	779,468	1,183,850
Transfer out	(1,218,923)	(3,022,987)
Total losses and gains – other losses and gains	(423,617)	(401,931)
As at the end of the year	7,521,547	4,022,968

Financial assets at fair value through profit or loss:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
As at the beginning of the year	3,634,383	4,780,120
Transfer in	563,555	492,018
Transfer out	(3,188,027)	–
Total losses and gains – other losses and gains	(194,207)	(1,637,755)
As at the end of the year	815,704	3,634,383

Financial liabilities at fair value through profit or loss:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
As at the beginning of the year	1,909,546	3,540,206
Transfer in	213,220	73,095
Transfer out	(1,721,563)	–
Total losses and gains – other losses and gains	(126,548)	(1,703,755)
As at the end of the year	274,655	1,909,546

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Capital management

The Group's objectives when managing capital are:

1. To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
2. To support the Group's stability and growth;
3. To maintain a strong capital base to support the development of its business; and
4. To comply with the capital requirements under jurisdiction's local regulations.

In accordance with (the relevant regulations issued by Shanghai Securities Regulatory Bureau's 18 March 2014) the Company is required to meet the following standards for risk control indicators on a continual basis:

1. The ratio between its net capital and the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
2. The ratio between its net capital and its net assets shall be no less than 20% ("Ratio 2");
3. The ratio between its net capital and its liabilities shall be no less than 8% ("Ratio 3");
4. The ratio between its net assets and its liabilities shall be no less than 10% ("Ratio 4");
5. The ratio between the value of equity securities and equity related derivatives held and its net capital shall not exceed 100% ("Ratio 5");
6. The ratio between the value of non-equity securities held, non-equity related derivatives and net capital shall not exceed 500% ("Ratio 6");
7. The ratio between its core net capital and total assets of in-balance-sheet and off-balance-sheet shall be no less than 8% ("Ratio 7");

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

68. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments measured at fair value on a recurring basis (continued)

Capital management (continued)

8. The ratio between its high quality liquid assets and net cash outflow in 30 days shall be no less than 100% ("Ratio 8"); and
9. The ratio between its available stable funding and stable funding needed shall be no less than 100% ("Ratio 9").

Net capital refers to net assets minimises risk adjustments on certain types of assets as defined in the Administrative Measures.

As at 31 December 2017 and 2016, the Company has maintained the above ratios as follows:

	2017/12/31	2016/12/31
Net capital (RMB'000)	75,292,211	78,663,534
Ratio 1	249.31%	258.90%
Ratio 2	70.46%	77.70%
Ratio 3	50.16%	52.56%
Ratio 4	71.20%	67.65%
Ratio 5	30.78%	29.66%
Ratio 6	57.72%	80.98%
Ratio 7	27.06%	27.64%
Ratio 8	188.90%	155.23%
Ratio 9	135.49%	131.65%

The above ratios are calculated based on the underlying financial information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the People's Republic of China regulated by the China Securities Regulatory Commission.

Certain subsidiaries of the Group are also subject to capital requirements under relevant regulations in PRC, Hong Kong and other jurisdictions. The capital of the Group mainly comprises its total equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

69. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

As at 31 December 2017	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
	Related amounts not set off in the statement of financial position					
in RMB'000						
	Gross amounts of recognised financial liabilities set off in the statements of financial position		Net amounts of financial assets presented in the statement of financial position	(d)(i) Financial instruments	(d)(ii) Cash collateral received	Net amount
Description	Gross amounts of recognised financial assets	of financial position	of financial position			
Derivative instruments (note 50)	2,613,863	3,251	2,610,612	–	–	2,610,612
Accounts receivable from brokers, dealers and clearing house (note 31)	9,792,616	3,771,075	6,021,541	188,358	253,302	5,579,881
Advances to customers on margin financing (note 30)	61,560,953	–	61,560,953	56,177,307	5,383,646	–
Deposits with exchanges (note 36)	8,528,675	–	8,528,675	76,375	–	8,452,300

As at 31 December 2016	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
	Related amounts not set off in the statement of financial position					
in RMB'000						
	Gross amounts of recognised financial liabilities set off in the statements of financial position		Net amounts of financial assets presented in the statement of financial position	(d)(i) Financial instruments	(d)(ii) Cash collateral received	Net amount
Description	Gross amounts of recognised financial assets	of financial position	of financial position			
Derivative instruments (note 50)	3,952,520	17,449	3,935,071	–	–	3,935,071
Accounts receivable from brokers, dealers and clearing house (note 31)	7,887,737	2,374,920	5,512,817	8,200	55,426	5,449,191
Advances to customers on margin financing (note 30)	63,212,920	–	63,212,920	57,033,724	6,179,196	–
Deposits with exchanges (note 36)	8,952,031	–	8,952,031	33,548	–	8,918,483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

69. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

As at 31 December 2017	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
	Related amounts not set off in the statement of financial position					
in RMB'000						
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statements of financial position	Net amounts of financial liabilities presented in the statement of financial position	(d)(i) Financial instruments	(d)(ii) Cash collateral pledged	Net amount
Derivative instruments (note 50)	3,514,713	19,259	3,495,454	-	-	3,495,454
Pending payable to clearing house (note 48)	7,732,991	3,771,075	3,961,916	467,475	-	3,494,441
Financial liabilities held for trading (note 51)	6,864,074	-	6,864,074	-	3,849,105	3,014,969

As at 31 December 2016	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
	Related amounts not set off in the statement of financial position					
in RMB'000						
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statements of financial position	Net amounts of financial liabilities presented in the statement of financial position	(d)(i) Financial instruments	(d)(ii) Cash collateral pledged	Net amount
Derivative instruments (note 50)	2,604,351	10,342	2,594,009	-	-	2,594,009
Pending payable to clearing house (note 48)	6,403,075	2,374,920	4,028,155	174,048	-	3,854,107
Financial liabilities held for trading (note 51)	18,900,050	-	18,900,050	-	2,812,094	16,087,956

The Group has entered into master netting arrangements with counterparties for the derivative instruments and also with clearing house for un-settled trades.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

69. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Except for the enforceable master netting arrangements and the offset-right of the financial assets under the similar agreements disclosed above, the collaterals of which, such as financial assets held under resale agreement, financial assets sold under repurchase agreement, borrowing with collateral, advances to customers and etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position. However, the risk exposure associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. As of 31 December 2017 and 31 December 2016, the fair value of the collaterals related to the above items exceeded the book value of those financial instruments; net exposure and net amount is insignificant after setting off the collaterals.

70. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group' liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were or future cash flow will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Bonds payables and short-term financing bills payables	Interest payables (Note)	Dividend payables	Total
As at 1 January 2017	61,148,555	148,159,309	3,434,556	7,536	212,749,956
Financing cash flows	2,716,981	12,470,810	(8,307,021)	(2,894,357)	3,986,413
Non-cash changes:					
Interest expenses	77,135	217,639	8,057,337	–	8,352,111
Exchange difference	(2,620,681)	(1,262,727)	–	–	(3,883,408)
Dividend distribution	–	–	–	2,913,226	2,913,226
Other Changes	–	–	–	(7,207)	(7,207)
As at 31 December 2017	61,321,990	159,585,031	3,184,872	19,198	224,111,091

Note: Interest payable only includes those arising from borrowings, short-term financing bills payables and bonds payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

71. ACQUISITION OF SUBSIDIARIES

On 12 December 2016, the Group entered into a sale and purchase agreement with an independent third party to acquire a 100% equity interest in a financial intermediary, which is engaged in provision of financial services in respect of exchange traded options and futures, over-the-counter leveraged foreign exchange and trading of precious metal and licensed with Monetary Authority of Singapore. This financial intermediary was formerly known as G.K. Goh Financial Services (Singapore) Pte. Ltd. and subsequently renamed as Haitong International Financial Services (Singapore) Pte. Ltd. ("Haitong Financial Services Singapore"). The transaction was completed on 28 February 2017.

Net assets acquired in this combination amounted to RMB55.32 million, among which cash and cash equivalents amounted to RMB169.36 million and accounts payable amounted to RMB261.13 million, being the largest asset item acquired and the largest liability assumed, respectively. Cash consideration of RMB60.21 million was paid for this acquisition and a goodwill of RMB4.62 million (Note 20 Unit F) arose after having taking into account certain fair value adjustments.

The contributions of Haitong Financial Services Singapore to the operating results of the Group were not material from the date of acquisition to 31 December 2017.

72. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

During the year end 31 December 2017, the Group completed the acquisition of the entire equity interest of Shanghai Weitai Property Management Co., Ltd. for a cash consideration of RMB857,982,000 (the "Weitai Property"). This transaction does not meet the definition of a business combination. The assets acquired and liabilities assumed do not constitute a business. The transaction was accounted for as an acquisition of land use right in the ordinary course of the Group.

The net assets acquired in the Weitai Acquisition are as follow:

	<i>RMB'000</i>
Bank balance and cash	1,866
Other assets-prepaid lease payments	832,441
Construction in process	23,675
Shareholder's loan	(101,916)
	756,066
Assignment of shareholder's loan	101,916
Total consideration satisfied by:	
Cash paid	857,982
Net cash outflow arising on acquisition:	
Cash consideration paid	(857,982)
Bank balance and cash	1,866
	(856,116)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

73. SUBSEQUENT EVENTS

Profit distribution resolution

On 27 March 2018, the board of directors of the Company proposed a profit distribution resolution, Cash dividend of RMB2.3 per 10 shares (inclusive of tax) was distributed to all holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date. The total cash dividends to be distributed would be RMB2,645,391,000.00 on the basis of a total share capital of 11,501,700,000 A Shares and H Shares in issue. The retained profits of the Company of RMB17,817,845,957.76 following the cash dividend distribution will be carried forward to the next year. The specific overall amount of cash dividends under distribution and the retained profits to be carried forward to the next year will be calculated according to the actual number of shares of the Company in issue on the record date for the cash dividend distribution.

The cash dividend will be calculated and declared in RMB, and paid in RMB to A share shareholders and in HKD equivalent to H share shareholders. The actual HKD amount will be converted from RMB at the average benchmark exchange rate of the last 5 working days published by the People's Bank of China before the 2017 annual general meeting.

After the profit distribution resolution has been approved by the annual general meeting, the cash dividend will be paid out within two months from the date of approval.

Listing application by a subsidiary

On 27 June 2017, Haitong UniTrust International Leasing Co., Ltd., a wholly-owned subsidiary of the Company, submitted, through its joint sponsors, a listing application (Form A1) to The Stock Exchange of Hong Kong Limited to apply for the listing of, and permission to deal in, the H shares of Haitong UniTrust on the Main Board of the Stock Exchange. The listing application was renewed on 28 February 2018 because of lapse of the six-month period from the date of the Listing Application.

Listing of a subsidiary

On 6 March 2018, Haitong Futures Co. Ltd, a subsidiary of the Company, was listed and exchanged on the National Equities Exchange and Quotations.

74. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.